Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt E£2.25	Lebanon $L100.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr7.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,314 Tuesday August 18 1987 D 8523 A

West Germany: Fight for the soul of conservatism, Page 2

World News

Venezuela, Colombia in border build-up

Venezuela and Colombia sent military reinforcements to the border region as tension rose following a diplomatic stand-off over a boundary dispute, newspapers in both countries said.

A Venezuelan paper said heavy artillery, tanks and F-16 fighter-bombers had been transferred to bases near the frontier and in Bogota a newspaper said the Colombian navy had sent three corvettes to an area near the site of the boundary dispute.

Angry steelworkers

Angry steelworkers fearing job cuts tried to overturn a car carrying Spanish Deputy Prime Minister Alfonso Guerra near La Coruna, north-west Spain.

Oilfield rescue

Engineers began jacking up the decks on four North Sea oil platforms in the final phase of a massive project to save Norway's sinking Ekofisk oilfield from winter storms.

Soviet fall-out

Soviet officials said that radioactivity caused by a Soviet nuclear test earlier this month may have reached Sweden, but insisted it was insignificant and violated no treaties.

Feminist arson raids

An underground feminist group called Red Zora claimed responsibility for eight firebomb attacks on branches of a West Germany clothing company. Page 2

Brazilian wages row

Fresh revelations of the huge salaries paid to civil servants revived demands for ceilings on public sector wages in Brazil. Page 4

Angolan war toll

Angola's civil war had caused 60,000 deaths, displaced 750,000 people and cost an estimated $12bn since it began in 1975, President Jose Eduardo dos Santos of Angola said.

Tips crackdown

Chinese hotel staff, tour guides and other tourism workers caught accepting tips would be punished with sackings or prosecution, China's national radio news said.

Aquino challenge

Drivers of Manila's jeepneys - elongated Jeeps converted into mini-buses - challenged President Corazon Aquino's Government with a crippling transport strike but Mrs Aquino rejected their demand to rescind a 20 per cent rise in fuel prices.

Typhoon alert

The Philippines braced itself for the second big storm in a week as Typhoon Cary, with winds of up to 140km/h, headed towards the island of Luzon on the heels of Typhoon Betty which killed at least 48 people and left thousands homeless.

French union warning

A senior French trade unionist warned that Force Ouvriere, his union, would fight to maintain purchasing power against inflation and predicted tougher wage bargaining in coming months.

Communion AIDS ban

The Anglican Church of Uganda told its priests to stop passing the chalice at communion for fear of spreading AIDS disease.

Soviet videophone

A new videophone link between Leningrad and Moscow opened, with calls priced at 25 kopecks (40 cents) a minute. Subscribers would have to book calls at least eight hours in advance, Tass newsagency reported.

Asteroid 'fantasy'

A Soviet warning that the Earth could be destroyed by an asteroid in the year 2115 was dismissed as fantasy by a West German astrophysicist.

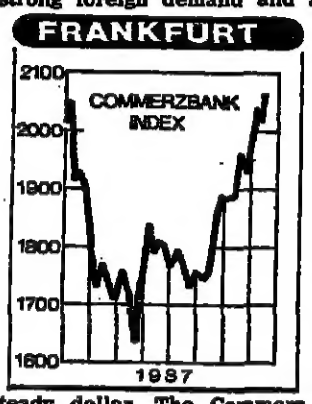
Business Summary

Philips to buy out 42% of US subsidiary

PHILIPS, big Dutch electronics group, plans to buy out the 42 per cent minority shareholding in its North American Philips subsidiary for about $600m. Page 15

TODD SHIPYARDS, largest independent shipbuilder in the US, sought protection from bankruptcy proceedings for its deeply troubled shipbuilding and repair operations. Page 15

FRANKFURT share prices rose in active trading helped by strong foreign demand and a



steady dollar. The Commerzbank Index closed up 20 points at 2,061.1, a record for 1987. Stock markets, Page 34

TOKYO: The unexpectedly big US June trade deficit hit high-tech and exporters' issues taking share prices sharply lower. The Nikkei average lost 115.13 to 25,378.88. Page 34

WALL STREET: The Dow Jones industrial average closed up 15.14 at 2,700.57. Page 34

LONDON: Rumours of a big forthcoming rights issue from Standard Chartered Bank and of a securities house in financial difficulties overcast equities dealings to leave prices sharply lower. The FT-SE 100 index closed down 35.8 at 2,259.6. The FT Ordinary index fell 21.3 to 1,764.0. Details Page 30

GOLD fell $0.25 on the London bullion market to close at $453.75. It also fell in Zurich to $453.45 ($456.00). Page 22

DOLLAR closed in New York at DM1.8705, FFr6.2525, SFr1.5530, Y149.23. It rose in London to DM1.8770 (DM1.8755); to FFr6.2725 (FFr6.27); but fell to SFr1.5570 (SFr1.5580); and remained unchanged at Y149.90. On Bank of England figures the dollar's exchange rate index was unchanged at 104.2. Page 23

STERLING closed in New York at $1.5945. It rose in London to $1.5910 ($1.5900); to DM2.9875 (DM2.9825); to FFr9.98 (FFr9.97); but was unchanged at SFr2.4775 and Y238.50. The pound's exchange rate index closed at 145.8. Page 23

BEAR STEARNS, Wall Street securities firm, reported a 153 per cent increase in first quarter profits, thanks in part to successful trading on its own account. Page 15

K-MART CORP, world's second largest retailer, posted record second quarter earnings of $145.4m, or 71 cents a share from continuous operations - a 22.5 per cent increase on the corresponding period last year. Page 15

ENRON, Texas energy company formerly known as InterNorth, is considering a flotation later this year of up to 20 per cent of its Enron Oil and Gas unit. Page 15

ASEA, Swedish electrical and engineering concern, is to acquire a majority stake in Elektrisk Bureau, Norwegian electrical engineering and telecommunications group, in a deal worth NKr 1.4bn ($203m), as the first stage in a far-reaching shake-up of the Norwegian electrical engineering industry. Page 17

ORIENT OVERSEAS HOLDINGS, quoted arm of the Hong Kong C.H.Tung ship-owning group which was rescued from collapse by a US$2.8bn capital restructuring completed in January, has returned it first bottom-line profit since 1984, when a depression in the shipping industry plunged it deep into loss. Page 16

Rudolf Hess's death creates problem for Berlin allies

BY LESLIE COLITT, BERLIN CORRESPONDENT

THE DEATH of Rudolf Hess, Hitler's former deputy, at 93 in West Berlin's Spandau Prison presents the four World War Two allies in Berlin with almost as many problems as did his life.

A British spokesman in West Berlin said the wartime allies, jointly his prison-keepers, had agreed to hand over his body to his family for burial in West Germany. He spent the last 41 years of his life in the daunting prison, much of it in solitary confinement.

The Soviet Union has changed its previous stubborn resistance against turning over either Hess's body or ashes to his wife. It feared the grave would become a pilgrimage site for neo-Nazis. Until now, the Russians favoured a secret disposal of Hess's remains, possibly strewing them to the winds.

A large question mark once hung over the fate of Spandau Prison itself, the hulking red brick building adjacent to a British Army barracks in the Spandau district of West Berlin.

Only Hess's cell in Spandau was occupied out of the 600-odd cells in the sprawling prison. But Spandau Prison is also one of the Soviet footholds in West Berlin which Moscow will not easily vacate even as an empty building. It is the only place in West Berlin, apart from the Soviet war memorial hard by the Brandenburg Gate, where Soviet soldiers maintain a physical presence.

They are rotated every four months with the three Western allies and some tough bargaining may be expected over the future of the Soviet presence. The prison building itself is to be replaced by a shopping centre.

The reason for Moscow's deep mistrust of Adolf Hitler's deputy go back to what it saw as the motives for his dramatic flight to Britain in May, 1941. The Soviet leader, Josef Stalin, was convinced that Hess sought to gain Britain's support for an Anglo-German alliance against the "Bolshevik threat" from the east.

Having parachuted into Scotland, where Churchill refused to see him, he was confined in Britain until the end of the war. He was tried in Nuremberg and spent the rest of his life in Spandau.

The wartime escapade to Britain explained why Moscow refused to heed Western appeals, especially from Britain, for Hess's release on humanitarian grounds. Soviet obsession with the "plot" hatched by Hess meant its regime during his imprisonment was by far the harshest by any of the allies.

The agreement among the four allies to hand over Hess's remains to his family in itself marks a considerable softening of Soviet policy.

Obituary, Page 2

Rudolf Hess in Nazi-occupied France, 1941.

Reagan renews bid to sell $1bn arms package to Saudis

BY LIONEL BARBER IN WASHINGTON AND ANDREW GOWERS IN LONDON

THE REAGAN Administration plans to resubmit a $1bn arms sales package for Saudi Arabia to Congress for approval next month in a move which may stoke the controversy over its policy in the Middle East.

The arms sales include 12 F-15 jet fighters and 1,600 Maverick anti-tank missiles. They were withdrawn in the face of Congressional opposition last June, in what was seen at the time as a setback for Washington's efforts to restore its credibility in the Arab world following the controversy over its covert arms sales to Iran.

The White House said yesterday that the timing of an approach to Congress had not yet been decided, but informal talks with Congressmen had already taken place.

Disclosure of the move coincided with continuing tension in the Gulf following a strong US military build-up and the discovery of large numbers of mines - presumed to have been planted by Iran - in and around the waterway.

American Sea Stallion mine-hunting helicopters, newly arrived in the Gulf, yesterday flew practice missions over waters just north of Bahrain. They are due to clear shipping lanes between Bahrain and Kuwait of mines before the US Navy mounts its next convoy operation for reflagged Kuwaiti tankers, four of which are moored off the northern Gulf state.

In another development, four British minesweepers sailed for the Gulf from the Scottish port of Rosyth yesterday. The four Hunt class ships - HMS Bicester, HMS Hurworth, HMS Brecon and HMS Brocklesby - left quietly, accompanied by the support vessel Abdiel. They will take about four weeks to reach the Gulf, where they will join Britain's three-warship Armilla patrol in accompanying British-flag ships as far as Bahrain.

The Labour Party opposition yesterday called on the Government to recall the minesweepers, saying that Iran would see their dispatch as a provocation.

London is pursuing quiet negotiations with the United Arab Emirates and Oman with a view to obtaining support facilities onshore, and has made it clear that it will not allow its ships to be used without adequate back-up.

Meanwhile, the Soviet Union kept up a barrage of criticism aimed at US naval activities in the Gulf. The Government newspaper Izvestia said Washington was displaying "military hysteria"

The proposed US arms sales to Saudi Arabia are expected to ignite opposition by pro-Israeli groups, while pro-Arab lobbyists will argue that current tensions in the Gulf require a strong Saudi Arabian military force.

The White House withdrew the original Maverick arms deal because many Democrats argued they had not been consulted properly by the Administration. More of the criticism, however, centred on lack of discussion over the Administration's plan to escort Kuwaiti oil tankers flying the American flag than on the Saudi arms sales.

Although the White House backed off, several senior Administration officials made clear they would renew the request for approval of the sale.

Gulf background and analysis, Page 3

S Korean riot police clash with workers

By Richard Gourlay in Seoul

THE PROTRACTED strikes and forced labour stoppages in South Korea became more violent yesterday as workers at the Hyundai Heavy Industry group clashed with riot police in the biggest show of government force since labour unrest escalated earlier this month.

Riot police fired tear gas at coal miners last week who had taken over a railway siding.

But yesterday's clashes at six Hyundai companies around the industrial city of Ulsan was the first time police have intervened since the Hyundai management decided not to talk to worker representatives.

The strikes that have swept the country since early August have been as much about worker rights to set up democratic trade unions as about increases in wages.

Hyundai workers elected a union leader last week but a spokesman for the group said workers had been locked out of the six plants because the company did not recognise the official as the legitimate representative of the workers.

About 20,000 workers at a Hyundai dockyard yesterday forced their way past factory gates which the management had barricaded on the grounds that plant and equipment might be damaged.

The Hyundai workers had threatened to strike if their demands were not met by the company.

Some of them attempted to hold street demonstrations and to march towards Ulsan city yesterday but were halted by riot police who tried to disperse them with tear gas and were then attacked with bottles and stones.

In June, anti-government demonstrators made up mainly of students but backed by the middle classes, forced President Chun Doo Hwan to accept opposition demands for direct

Continued on Page 14

Korean conglomerates, Page 3; stock market rise, Page 34

China suspends plans for more price reforms

BY ROBERT THOMSON IN NANJING

CHINA has suspended plans to extend price reforms following a sharp increase in inflation that has prompted official fears of protests.

The Government had removed subsidies and allowed the market to set prices for many goods. It said earlier this year that those reforms would be expanded later in 1987.

However, senior officials in this key eastern city have confirmed that no further reforms will be introduced until the national inflation rate falls.

Price limits and subsidies will be reintroduced for some foods, and teams are being sent around the country to investigate inflation patterns.

Officially, the national inflation rate is around 8 per cent, while the rate in this province, Jiangsu, is just over 10 per cent, up from 6 per cent last year and 2 per cent in 1985.

Most diplomats believe the actual rate is far higher. The central Government has admitted that in the special economic zone of Shenzhen, in the south, vegetable prices rose 65 per cent in the first half of this year.

Inflation has come as a shock to the Chinese, who have been accustomed to unchanging prices set by the state for more than 30 years and to knowing exactly how much money they would have in the bank at the end of each year.

While living standards have improved significantly in recent years, fluctuating prices and wages have created a sense of uncertainty which the Government clearly fears is damaging the image of its reform drive.

Mr Wang Qinghan, the vice director of the Jiangsu economic restructuring committee, said officials had been told to "pay attention to the psychology of the people, who are accustomed to stable prices."

He explained that the Government would set limits on food prices, reintroduce subsidies on some items, and punish middlemen apparently attempting to manipulate the market.

Government officials claim the middlemen buy vegetables from farmers before they reach cities and then keep the supply of produce low to ensure that urban prices remain high.

Chinese public servants, teachers and other workers on fixed salaries have been hardest hit, as most Chinese now have incentive payments that keep their salaries ahead of inflation. Officials here indicate that the Government will soon introduce relief for those workers suffering under growing inflation.

S African miners in talks with Anglo American

BY OUR FOREIGN STAFF

BLACK MINERS' leaders asked officials of the Anglo American Corporation, in three hours of talks last night, to keep police off mine compounds as a step towards curbing violence during the nationwide strike by 300,000 mineworkers which has entered its second week with no sign of a quick solution.

Leaders of the National Union of Mineworkers, including general secretary Mr Cyril Ramaphosa, met Anglo American officials for the first time at a Johannesburg hotel. They also said that mine security officers should be confined to their barracks and charges dropped against arrested strikers.

The National Union of Mineworkers claims that about 240 people have been injured and 200 arrested since the strike began.

Mr James Mahlatsi, NUM president, was not optimistic as he went to the meeting with Mr Ramaphosa and two other colleagues to see six Anglo American officials. "This is just a formality," he said. "I don't think we are going to achieve anything."

The talks were adjourned until Tuesday with no agreement reached.

Sympathy strikes in other industries, predicted by Mr Ramaphosa, did not materialise in force yesterday. But one black worker was killed and two injured in fighting between supporters and opponents of an abortive strike at Sasol's Secunda plant east of Johannesburg, the company said.

Sasol, which operates collieries and oil-from-coal plants, said the abortive strike over holidays was not related to the NUM action, although the NUM said it would have regarded it as a sympathy stoppage.

The Chemical Workers Industrial Union said the Sasol strike was suspended after its members were attacked by other workers armed with weapons.

Although the talks between the NUM and Anglo American are ostensibly limited to the issue of violence, the two sides could use the opportunity to sound each other out on possible compromises to end the biggest strike in South African history.

Anglo American is the country's biggest gold producer and the worst affected of the companies in the dispute. NUM leaders are demanding a 30 per cent pay rise and better conditions.

Pilkington to buy Revlon ophthalmic division

BY STEVEN BUTLER IN LONDON

PILKINGTON, the UK glass company, announced yesterday that it was buying Revlon's Vision Care businesses in America for $574m (£361m).

This will boost its ophthalmic division making it one of the largest companies in the sector.

The companies acquired, Barnes-Hind and Coburn, had aggregate sales of over $233m in 1986 from contact lenses and solutions, glass and plastic spectacle lenses, and lens processing equipment.

The acquisition is Pilkington's largest and the first major expansionary move since it de-

Continued on Page 14

Hawley makes $635m US offer

BY CLAY HARRIS IN LONDON

HAWLEY GROUP, the international services group, yesterday joined the takeover rush for US targets with a $635m offer for ADT, a New York state-based operator of central burglar and fire alarm systems.

By late yesterday, ADT had not responded to the unexpected approach from Hawley, which has British roots but has been domiciled in Bermuda since 1984. The acquisition would boost Hawley into the top position in the US security services market.

Hawley separately announced a $400m Euromarket issue of convertible preference shares, its third such issue in less than 18 months. Although the issue is intended to provide part of the funding for the ADT offer, it will proceed even if the acquisition does not.

Hawley made its takeover approach without warning, with Mr Michael Ashcroft, chairman and president, announcing that he had sent a letter to Mr Raymond Carey, his ADT counterpart, proposing to pay $47 in cash for each of the US company's shares.

ADT shares closed $14⅜ higher at $48⅝ in heavy trading on Wall Street yesterday, with 2m of its 13m shares changing hands during the day. Hawley shares fell 9½p in London to close at 161p.

Mr Ashcroft offered to meet Mr Carey to discuss the proposal but Hawley indicated that it was prepared "to proceed with this transaction by other means should serious negotiations fail to occur or succeed."

Hawley said that ADT's operations were compatible with its own US security activities centred on Electro-Protective Corporation, which it bought in 1981, and Crime Control, acquired in April. Security and communications services, including operations in the UK and Australasia, accounted for 13 per cent of Hawley's turnover and 15 per cent of pre-tax profits in 1986.

Originally called American District Telegraph, ADT specialises in central alarm stations,

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CONTENTS

TASTE OF SOUR GRAPES FOR RULERS OF ITALY

Ciriaco De Mita, Christian Democrat Secretary, fails to please everybody in race for cabinet office. Page 14

Peter Bruce reports on poisonous infighting which threatens the CDU's chances in next month's state elections

Insults fly in fight over the soul of W German conservatism

FOR MUCH of this summer leaders of West Germany's coalition government have been exchanging insults in the most ferocious infighting since Chancellor Helmut Kohl's centre-right coalition came to power in late 1982.

Experienced political analysts here have looked on in wonder as a silly season dispute between Mr Kohl's Christian Democrats (CDU) and the Bavarian Christian Social Union (CSU), about granting asylum to 14 imprisoned Chileans, has mushroomed into poisonous fighting over the very soul of West German conservatism.

The CDU's chances in state elections in Bremen and Schleswig Holstein next month are being hurt. Hopes that the Government might overcome its chronic indecision after the summer break and deal forcefully with difficult fiscal and foreign policy problems, are fading.

The coalition, made up of the CDU, CSU and the liberal Free Democrats (FDP) has always been tortured.

The FDP frequently enrages the right-wing CSU and its leader, Mr Franz Josef Strauss. The current fighting, though, is the first sustained public break between the CDU and CSU under Mr Kohl's chancellorship.

The two parties do not campaign in each other's territory and make joint election policy, but a bold visit last month to Chile by the CDU's diminutive Labour Minister, Mr Norbert Bluem, may have changed all that. He claimed while there that "confessions" by the 14 had been extracted under torture and said as much to the Chilean dictator, General Augusto Pinochet.

Mr Strauss exploded and he and his followers have not stopped booming since. Mr Friedrich Zimmermann, Bonn's Interior Minister, had earlier refused to allow the Chileans in, saying they had been convicted of robbery, some even of murder. Mr Bluem's "scandalous" confrontation with the Chilean leader was an attempt to ridicule decisions made by another minister.

Mr Bluem was unrepentant and received quick and fulsome backing from Mr Heiner Geissler, the CDU Secretary General. Attempts by the CSU to interrupt the Chancellor's Austrian holiday got them nowhere because Mr Kohl's subsequent statements—the debate is "senseless and superfluous"—have tended to side with Mr Bluem and not even a television interview at the weekend will have changed much.

But the Chileans are, essentially, a red herring. At least two other European countries have offered them asylum. What Mr Bluem and Mr Giessler are doing is trying to open their party up and away from its slavish adherence to the centre-right.

The arithmetic is simple. As the opposition Social Democrats (SPD) flail about trying to challenge the radical Greens party, it risks abandoning its right wing and Mr Geissler, who has probably the sharpest political instincts in the country, has his eye on a mass of new voters.

For Mr Strauss, this is heresy. He sees the CDU actually moving left and it is an article of faith with him that no party should be able to live to the right of the "Union," as the CDU/CSU are called. He was frightened by the 3 per cent won by the far-right Republican Party in Bavarian state elections last October. He sees the Giessler-Bluem strategy as a dangerous leap into the unknown that risks not only abandoning grass roots conservatives to extremists but may also give modern liberal issues a prominence from which only the traditional left will profit.

But Mr Giessler spoke up forcefully earlier this month of the need to open the CDU up to the centre and to young middle class men and women in new service industries. The party, he said, could no longer campaign with "false" policies like its springtime opposition to Soviet disarmament proposals in Geneva, he said.

Strauss: worried by last poll

The CDU is, indeed, in some trouble. It (and the CSU in Bavaria) has lost votes, if not whole elections, in almost every state and local poll held since 1983. "And they will lose more in Bremen and Schleswig Holstein," says one analyst. Their only important victory, winning the state of Hessen in the spring after years of SPD control was, he says, precisely because they appealed to the kind of voter Mr Geissler has in his sights. "They didn't win Hessen among the farmers in the north of the state," says the analyst.

Although Mr Geissler faces some opposition to his strategy from inside the CDU as well, chiefly from MPs, he will probably try to press ahead with it. He needs to try to establish policy for when Mr Kohl and Mr Strauss and, probably, Mr Hans-Dietrich Genscher, the Foreign Minister and spiritual leader of the FDP, are no longer around.

Mr Strauss, 71, is a strong leader and will leave no obvious heir when he goes and there is no saying whether the CSU that follows after him will be capable of continuing its links with the CDU, let alone with the FDP. His presence in the Union undoubtedly attracts non-Bavarian right-wingers to the CDU, in much the same way as Mr Genscher attracts some

At times like this, Mr Strauss sometimes allows his junior officers to let loose rumours that the CSU might leave the coalition if things get worse. But no one takes this seriously any more, because the CSU does not command much affection outside Bavaria and a split with the CDU would force it to campaign nationally.

The real threat now is to Cabinet efficiency. Decisions have to be made soon on how to finance a DM 44bn tax reform, on streamlining the health service, on disarmament, on fighting AIDS and on law and order—and in almost every case the muck spread this summer threatens to make the going heavy.

Mr Kohl and Mr Strauss are likely to hold some sort of summit meeting next month to smooth the waters, but it will be much harder to pretend from now on that CDU/CSU relations are all sweetness and light.

As the Chileans will now have discovered, things take an awfully long time to be decided in Mr Kohl's West Germany and this summer can only have made things worse. One European diplomat says he sat down a few weeks ago to write up a report on the achievements of the Kohl Government since it was returned to power last January and never put pen to paper. "I couldn't think of anything," he says.

W Germans pay dearly for place in the sun

By Tim Dickson in Brussels

JUDGING by the flow of "knocking" copy over the past few months readers of Britain's tabloid press might well conclude that West Germans on holiday are universally aggressive and rude.

It may, therefore, be a cause of smug satisfaction for some that, according to a new survey published yesterday in Brussels, Teutonic tourists appear to be paying dearly for their fun.

A spot check on the prices of Mediterranean holidays offered by 101 tour operators in seven European countries shows that for an identical break in Spain, Portugal or Greece a German or Dutch family may be paying over 80 per cent more than their British counterparts.

For 39 out of the 57 hotels in the survey the difference between the highest and the lowest price was more than 40 per cent; in four cases it was above 80 per cent; while the BFr 46,330 (£760) charged by the Belgian group Sunsnacks for a two-week stay in July/August at the Athos Palaca, Chalkidiki, was a full 94 per cent more than Thomson Holidays of the UK.

The seven countries were Denmark, West Germany, Belgium, the Netherlands, France, Ireland and the United Kingdom.

"It is striking that in 40 cases a British tour operator offered the lowest price, while in 39 cases it was a West German tour operator who sold the tour at the highest price," observes BEUC, the European consumer organisation which co-ordinated the research.

Far from seeing this (as some British chauvinists might do) as poetic justice, BEUC takes a dim view of the survey results. It is not impressed by the Deutsche Reiseburo Verband arguments that their high prices are a reflection of better quality and better consumer protection, and concludes that the "staggering" price difference "have more to do with the segmentation of national markets."

It adds: "They do more than justify the intention of the EC Commission to come forward with a draft directive on package travel as an important part of the effort to create a common market for tourists."

BEUC warns, however, that if people take advantage of the cross-border differences at the moment they will find little similarity in the way information is presented, or in contract terms or compensation procedures.

"National rules are highly divergent, so that just as there is no common market for tourists in economic terms, there is not one either when it comes to protecting and enforcing their legal rights."

Danish budget holds line on spending as early election looms

BY HILARY BARNES IN COPENHAGEN

DENMARK'S Finance Minister Palle Simonsen, yesterday presented a budget for 1988 which keeps state spending in real terms virtually unchanged for the fifth year. Expectations are high that Prime Minister Poul Schlueter will announce a September election later this week.

"We are the only country in the West which has kept budget spending down for such a long period," said Mr Simonsen.

The non-Socialist minority coalition has recalled Parliament from holiday today to bring an end to a strike of computer staff which is hampering the public administration. Mr Schlueter is widely expected to use the opportunity to announce an election in mid-September, four months early.

If so, he has caught the opposition on the hop. The leader of the Social Democratic Party, Mr Anker Joergensen, left for a holiday on the Black Sea coast in Bulgaria on Friday and yesterday was apparently still unaware of the recall of Parliament. "We expect him back before the election is held," said his deputy, Mr Svend Auken, laconically.

A weekend opinion poll gave the non-Socialist parties a 51-49 per cent edge over the Socialist parties.

The tight budgets mean that the government debt, after peaking at DKr 433bn (£38bn) and 70 per cent of gross domestic product in 1985, will be down to DKr 418bn and 56 per cent of GDP, next year. State spending, excluding interest, has fallen from 36 per cent of GDP in 1982 to under 30 per cent, said Mr Simonsen.

The 1987 budget balance will move from a DKr 7.8bn surplus in 1986 to a deficit of DKr 4bn, but this will be reduced to DKr 1.6bn next year.

Spending, in current prices, is projected to rise by 5.1 per cent from DKr 97.6bn to DKr 207bn, excluding interest on government debt, which will increase from DKr 52.4bn to DKr 54.8bn. Revenue will rise from DKr 249.5bn to DKr 260.9bn, or 4.5 per cent.

While expenditure, excluding interest on government debt, has been successfully stabilised by the present administration, the tax burden has risen from 44.6 per cent in 1982 to a projected 51.7 per cent next year. "This was inevitable in a period when we were bringing the budget deficit under control," said Mr Simonsen. The budget deficit was 11 per cent of the GDP when the Government took over in 1982.

Total public sector spending over the same period has fallen slightly from 61.7 to 59.3 per cent of GDP and excluding interest from 55.7 to 51.3 per cent.

Portuguese urged to kick the state habit

BY DIANA SMITH IN LISBON

PROMISING that his government would do all it could in the next four years to reduce Portugal's chronic production shortcomings and regional imbalances, Mr Anibal Cavaco Silva, the Prime Minister, urged the population to take a more active part in its own development.

Speaking at the formal swearing-in of the Government—Portugal's sixteenth since a military coup toppled the 48-year-old right-wing dictatorship in 1974—Mr Cavaco Silva called for an end to the idea that people must wait for the state to do everything for them, and for greater participation in the battle for development by individuals and their organisations.

Some of Portugal's problems were decades old, the Prime Minister said — arising from generations of protectionism, state subsidies and excessive state intervention in the economy, and a deeply-entrenched bureaucracy which has raised obstacles to initiatives. Over the next four years, the Government would do all in its power to help get things moving, with the active participation of the Portuguese people.

The Prime Minister's confident inaugural speech repeated the message his Social Democrat party has been trying to get across since it formed a minority Government 20 months ago: less state machinery, more individual enterprise. Its minority status between October 1985 and the party's defeat in a censure motion in April made it virtually impossible to push through the reforms needed to put this message into practice.

These include more flexible labour laws, streamlining and some privatisation of an overweight public sector, more private enterprise in agriculture, and greater emphasis on private investment.

Now that the Social Democrats have a comfortable majority—148 of Parliament's 250 seats—they are expected to take rapid action in reforming the public sector, reducing red-tape, and financial liberalisation.

The Government takes office in a more confident economic climate. Inflation is descending closer to EC averages, the foreign debt is in reasonable shape and the current account looks healthy despite a growing trade deficit provoked by mushrooming EC imports.

The confidence of Portuguese and foreign investors is of such importance to the administration that Mr Cavaco Silva's speech issued a severe warning that the Government would be "intransigent" with any forces who "having failed to capture votes, tried to disturb the peace."

Dutch tax cuts proposed

BY LAURA RAUN IN AMSTERDAM

THE DUTCH Finance Minister, Mr Onno Ruding, yesterday called for a modest cut in income taxes across the board next year in line with the centre-right Government's policy of maintaining purchasing power.

Tax relief of Fl 1.1bn (£330m) would amount to around Fl 200 for each taxpayer and would be financed through higher than expected government revenues forecast for 1988. In a memorandum to cabinet colleagues yesterday, Mr Ruding also suggested that social-welfare premiums might be trimmed slightly next year due to buoyant receipts in recent months.

The cabinet is putting the finishing touches to the 1988 budget, which will be officially unveiled on September 15. Public spending cuts of Fl 3bn have already been agreed.

Mr Ruding, a hardline fiscal conservative, emphasised that he supported tax cuts only as long as the planned austerity measures were carried.

Denial by Moscow over N-test

SOVIET OFFICIALS said yesterday that radioactivity caused by a Soviet nuclear test earlier this month may have reached Sweden, but insisted it was insignificant and violated no treaties, Reuter reports from Moscow.

The officials were responding to US charges that an underground nuclear test on the Soviet Arctic island of Novaya Zemlya on August 2 had sent radioactive debris beyond Soviet borders in violation of the 1963 Limited Test Ban Treaty.

Mr Yuri Israel, head of the Soviet Weather Service Administration, told a news conference that tests conducted by Moscow before and after Sweden reported a rise in radioactivity last week had not demonstrated any connection with the test.

"I don't see any concrete proof that this radioactivity was a consequence of the test on August 2, but theoretically this may be admitted as possible," he said, adding that the increase was many times lower than normal background radiation and posed no threat to health.

The Limited Test Ban Treaty prohibits nuclear tests in the atmosphere, underwater or in space, and bans test blasts which cause radioactive fallout to escape beyond national borders.

SHAMIR BEGINS THREE-DAY VISIT TO ROMANIA

East European doors open wider to Israel

BY JUDY DEMPSEY IN VIENNA

ISRAEL'S Prime Minister, Mr Yitzhak Shamir, arrived in Romania yesterday on the start of a three-day official visit in which he will hold talks with President Nicolae Ceausescu, the only East European leader who has maintained diplomatic relations with Israel.

The visit comes against a background of slowly improving relations between Israel and the other members of the Eastern bloc. Discussions are likely to focus on three main issues—a Middle East conference, the emigration of Romanian Jews to Israel, and the question of whether Romania would be used as a transit route for those Jews leaving the Soviet Union.

Mr Shamir is opposed to an international peace conference on the Middle East. However, Mr Ceausescu, who in the past has acted as a mediator in Middle East politics, will try to raise the subject again. The head of the Palestinian Liberation Organisation, Mr Yassir Arafat, visited Romania last week.

The Israel Prime Minister is more interested in maintaining the flow of Romanian Jews out of the country to Israel. About 20,000 Jews remain in the country of which about half wish to emigrate. Relations between Jerusalem and Bucharest have been trouble-free on this issue in the past.

Both leaders will also explore the possibility of using Romania as a transit route for Soviet Jews. However much Israel would wish to see more Soviet Jews travel directly to Israel, the decision on whether Romania would play such a role, lies ultimately with Mr Mikhail Gorbachev.

Romania is alone in the East bloc in maintaining relations with Israel, reflecting its independence in foreign affairs. The other East European countries, including Yugoslavia, followed the Soviet Union in breaking off relations with Israel after the Six Day War in 1967. Publicly, the rhetoric is still highly adversarial. A Hungarian Foreign Ministry official recently argued that diplomatic relations with Jerusalem would not be renewed unless Israel withdrew from the West Bank, recognised the right of the Palestinians to a homeland and agreed to the two superpowers guaranteeing peace in the Middle East.

Behind the scenes, however, there has been considerable activity. Contacts between Eastern Europe and Israel first began with Poland in the mid-1980s which led to the setting up of visa offices in Warsaw and Tel Aviv in 1986. Since then, numerous high level meetings with other countries have taken place; in particular one meeting last month in which the deputy director general of the Israeli Foreing Minister, Mr Yesayahu Anug, held talks with senior officials from the Hungarian Foreign Ministry in Vienna. Israeli and Hungarian officials say privately that an important announcement will be made next month which could possibly involve opening consular or visa offices in Budapest and Tel Aviv.

The Yugoslavs have been just as active. The President, Mr Lazar Mojsov, met the Israeli Foreign Minister, Mr Shimon Peres, in Geneva in July, Mr Matity Ahud Peled, a member of the Knesset, visited Belgrade and met Mr Abu Mazin, a member of the PLO executive committee.

Meanwhile, the Yugoslav news agency, Tanjug, which has kept its nose close to the ground on these developments, last month unexpectedly opened an office in Jerusalem, not Tel Aviv. "The air is better than in Tel Aviv," one Yugoslav journalist wryly commented. "Besides, we have to be ready if the breakthrough happens." Even the East Germans, who never had diplomatic relations with Israel sent the famous Brecht Ensemble to the Jerusalem Festival last year, which will be attended by the Bolshoi Ballet next year.

"The truth is that we lost out when we broke off relations with Israel," a Yugoslav official argued. "And what did we gain from it?—Good economic and political relations with the Middle East, certainly, but at the expense of ignoring Israel." The Hungarians choose their words more carefully. "We want better relations with Israel," a Foreign Ministry official in Budapest recently said, "especially on the level of human contacts. But you know, we have our friends to consider too." Those friends include the Soviet Union and the Arab countries.

The Soviet Union is not discouraging these contacts and is even pursuing its own interests in Israel. Part of the eight-man Soviet delegation which visited Israel in July, the first such visit in 20 years, will remain in Tel Aviv for at least another two months. "They are not going to spend all the time looking at the Russian Orthodox Church property," an Israeli journalist commented. "The Soviet Union want a Middle East conference. They also know they need some modus vivendi with Israel for this conference."

A Hungarian journalist was more sanguine about the improved relations between Eastern Europe and Israel. "Isn't it better to have the machinery in place, to have our contacts, to be prepared? Gorbachev knows where the Soviet Union's interests lie on the Middle East question."

Feminist group admits setting stores alight

AN UNDERGROUND feminist group called Red Zora claimed yesterday that it had firebombed clothes stores in protest at exploitation of South Korean women, Reuter reports.

The Federal Prosecutor's office in Karlsruhe said it was treating the group's claim, made in letters to the West German media, as genuine.

Eight branches of Adler company stores from Frankfurt to Bremen were set ablaze within an hour Saturday by battery-operated bombs. There were no casualties.

Red Zora's letter, headlined "Adler in Flames," said the attacks were a "blazing salute to South Korean working women" fighting against exploitation and sexism

Unionist warns on French wage levels

A SENIOR French trade unionist warned the French Government yesterday that his union would fight to maintain purchasing power against inflation and predicted tougher wage bargaining in coming months, Reuter reports from Paris.

Mr Andre Bergeron, leader of the moderate Force Ouvrière, France's second-largest trade union, told the Tribune de l'Economie financial daily he accepted that workers' purchasing power could not be increased.

"But it has to be preserved ... for the moment we are some way short of that," he said.

He said figures published on Friday, showing retail prices up between 0.2 and 0.3 per cent in July, were an indication that inflation by the end of the year would approach 3.5 per cent, well ahead of government predictions.

"The Government must expect some demands for new discussions, either on agreements where they exist already, or just plain discussions if no agreements exist," Mr Bergeron said.

The Government is officially predicting 2.5 per cent inflation this year, but prices have already risen by nearly 2.4 per cent in the first seven months.

Independent economists expect inflation to reach at least 3.5 per cent by December.

● France has told former Tunisian Prime Minister Mohamed Mzali that he must keep a low profile if he stays in France, the Foreign Ministry said yesterday.

"Mr Mzali has been reminded of the need to maintain a certain reserve," a spokesman said.

The spokesman was responding to a report in the Tunisian daily La Presse which said France had cancelled Mzali's permanent residence permit, requiring him to obtain a new visa each time he wants to come to France.

OBITUARY

Hess, lonely man of Spandau

RUDOLF HESS, who died in Spandau Prison yesterday at the age of 93, was a pathetic old man to many Westerners, but to the Soviet Union he remained a hated symbol of the Nazi era.

From the day Hess flew to Scotland in May 1941, Moscow was convinced that he was acting with the full knowledge of Adolf Hitler, his only superior in the Third Reich. The Soviet leader, Josef Stalin, believed Hess wanted to convince Winston Churchill to sign a peace accord with Germany and then join forces against the Soviet Union.

Instead, Hess was interned in Britain which refused to grant his request for an audience with Churchill or King George VI. He spent the rest of his life in captivity, first in the Tower of London, then Nuremberg for the war crimes trials in 1946 and then for 41 years in Spandau.

The Second World War allies convicted Hess of conspiring against world peace and planning a war of aggression. But he was absolved of commiting crimes against humanity and given life imprisonment instead of the death penalty.

His wife Ilse claimed later that her husband told her he never told the British that Germany was about to attack the Soviet Union. The Western allies who guarded him, however, said he was never permitted to talk with her about anything except family matters.

Germans who were suddenly told in May 1941 of the "vile" action by the Führer's deputy were stunned. He was the man who enjoyed Hitler's full confidence, helping him to write "Mein Kampf," the bible of the Nazi movement, in Landsberg prison. When Hitler assumed power in 1933, Hess was named as his deputy.

But Hess's influence with Hitler waned in later years. This, historians speculated, was a reason for his solo flight to Scotland, with Hess possibly anxious to restore his standing with Hitler.

The regimen Hess followed in the early years in Spandau was even more daunting than his solitary confinement after 1966 when Albert Speer, the former armaments minister, and Baldur von Schirach, the Hitler Youth leader, were released.

He refused to allow his wife or son Wolf-Rüdiger to visit him until 1969 when he was taken to the British Military Hospital in West Berlin with a stomach ulcer.

When the Soviet Union commanded Spandau Prison every fourth month, Hess was forbidden to indulge in his one passion, gardening in a tiny allotment plot behind Spandau's red brick walls. The food, he complained to the Western allies, was particularly bad under the Soviets.

Throughout his incarceration in Spandau, located in the West Berlin borough of the same name, most Berliners were nearly oblivious of his existence. It was only when appeals came for his release, mainly from Britain but also from West Germany's Chancellor Helmut Kohl, that they realised he was still in the city of his earlier triumphs. But the Soviet Union consistently turned down these pleas.

In the winter of 1977 Hess slashed his wrists in a suicide attempt. His daily routine was improved somewhat with the addition of a colour television set, although he was forbidden to view the news or to see any programme which even remotely dealt with the Second World War. Similarly, the four newspapers he was given – one from each of the former four zones of occupation – was heavily censored, with all references to the Nazi past deleted.

The cost of guarding the one remaining prisoner in Spandau was frequently cited as another reason for releasing Hess. But it was borne by the West German taxpayer as part of the occupation costs related to the Allied presence in West Berlin.

Those who got to know Hess in Spandau, including the former American commandant of the prison, Eugene Bird, said he remained acutely intelligent until his mid-eighties. In latter years, however, his mental facilities deteriorated to the point where he was incoherent.

But throughout his imprisonment he never once expressed regrets about his past or doubts about the legitimacy of the Nazi movement which he helped to found.

Ekofisk rigs rescue plan continues

ENGINEERS yesterday began jacking up the decks on four North Sea oil platforms in the final phase of a massive project to save Norway's sinking Ekofisk oil field from winter storms, Reuter reports from Oslo.

The four multi-storey platforms, weighing a total of 23,000 tonnes, must be lifted simultaneously to avoid severing a maze of interconnecting catwalks and oil production pipelines.

After cutting the fixed platforms' 35 steel legs, 68 huge hydraulic jacks will raise their decks six meters, enabling engineers to insert extension pieces to restore a safe clearance from the highest waves.

The $600m rescue project is aimed at regaining sea clearance to prevent 20-meter high North Sea winter waves smashing into the slowly sinking platforms.

Ekofisk, on the southern end of Norway's North Sea sector, is the victim of seabed subsidence, a rare geological phenomenon occuring when a field's soft, porous rock reservoir is crushed by the weight of the earth's crust as its oil is extracted.

The field has sunk about four meters since it first started producing oil and gas in 1971.

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Italy rejects Mellor charge

By John Wyles in Rome

ITALY yesterday rejected the assertion by Mr David Mellor, Britain's junior Foreign Office Minister, that it was doing nothing to assure freedom of navigation in the Gulf.

Mr Mellor's complaint in a BBC interview on Sunday that countries heavily dependent on oil imports through the Gulf were not pulling their weight in assuring the safety of supplies touched an increasingly sensitive nerve in Italy and was front-page news yesterday morning.

Of the five countries which received appeals from the US to help in mine-clearing the Gulf, Italy, West Germany and the Netherlands have so far shown no inclination to join Britain and France in committing ships to the area.

Although Mr Mellor did not single out Italy for special criticism, his remarks are being seen as directed specially against Rome.

Mr Giulio Andreotti, the Foreign Minister, has based his policy in recent weeks in supporting efforts to apply the UN Security Council's unanimously adopted resolution of July 20 calling for a cease-fire in the Gulf war. If applying the resolution were to call for the commitment of Italian ships in the Gulf as part of a UN force, then Rome would be ready, he has said.

Italy would also be prepared to consider a European multilateral effort, but Mr Andreotti and the Italian government have drawn the line at any independent military initiative.

US helicopters practise mine hunting in Gulf waters

BY TONY WALKER IN BAHRAIN

AMERICAN Sea Stallion minesweeping helicopters from the marine assault vessel, USS Guadalcanal, flew practice missions yesterday over waters just north of Bahrain amid continuing signs of US nervousness at the threat posed to its warships by mines in the Gulf.

The US is further strengthening its naval presence in the region with the arrival of the 18,000-ton Guadalcanal in the Gulf itself and the aproach of the battleship, USS Missouri, which is expected imminently.

There are some 16 US warships and support vessels in the region. That number will be swelled to about 20 with the arrival of the Missouri and its scorts.

The French carrier, Clemenceau, with its support craft is also expected in the northern Arabian Sea soon. There have been reports of its exercising off Djibouti at the entrance to the Red Sea.

Western military experts says the flotilla of naval ships of the US and its allies gathering in the Gulf region is almost unprecedented in peacetime, and exceeds that of the British force to the Falklands in 1982.

The concentration of naval vessels in and around the Gulf is adding to concerns about the threat of mines. These fears were heightened by the mining of waters off the United Arab Emirates outside the Strait of Hormuz.

Iran has now demonstrated that it can lay mines almost anywhere it chooses in the Gulf region, challenging US ability to protect its warships and carry out its pledge to guarantee safe passage for Kuwaiti tankers.

Suspicion has fallen on fishing dhows operated by Iranians as possible culprits in the mining of what was previously a safe haven for merchant ships off the UAE. Hundreds, if not thousands, of these small fishing vessels ply the waters of the Gulf each day.

Iran appears to have sown mines in at least three separate locations in the Gulf itself and in the Sea of Oman. These include the entrance to Kuwait's main Al Ahmadi shipping channel, waters near Al Farisiyah Island, an Iranian revolutionary guards base in the northern Gulf, and in the anchorage off the UAE.

Mr Ali-Akbar Hashemi Rafsanjani, Iran's powerful parliamentary speaker, said at the weekend that "we have a mine-producing factory which could produce mines like seeds." He warned that Iran would halt all oil exports from the region if Iranian shipments were stopped.

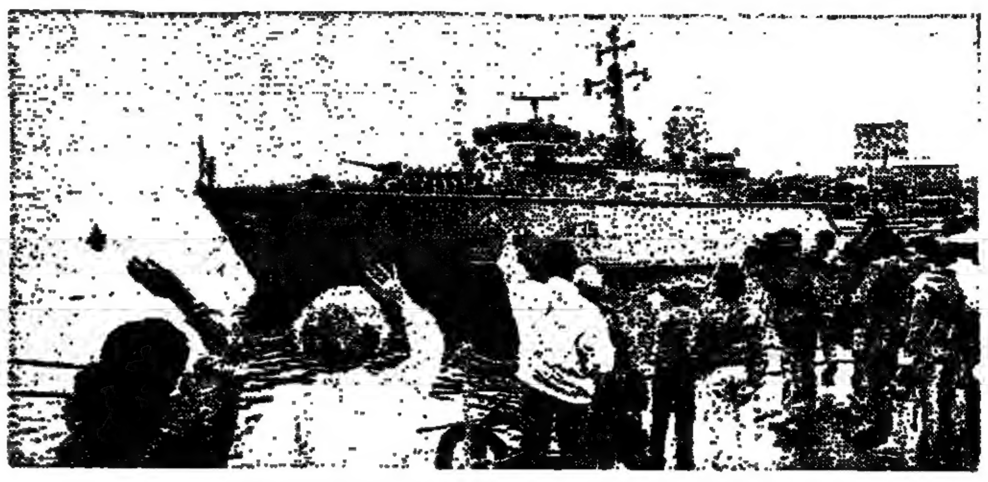
Western military experts say they have no doubt that Mr Rafsanjani's statement that Iran is capable of producing almost unlimited supplies of mines is correct. Iran has been using a contact device based on a Soviet MOS pre-World War One model which contains about 50 kg of explosive.

Smaller US warships such as the Perry Class frigate — a "high tech" vessel packed with the latest electronic equipment with a "thin skin" — which are being used for escort duty in the Gulf appear to be particularly vulnerable to mines.

These experts contrast the difficulties the US appears to be facing in deploying its "high tech" naval forces in the region to perform a relatively straightforward function such as escorting ships with the apparent ease with which Iran is utilising its "low tech" mines based on an antiquated design to disrupt the exercise.

Strengths and limitations of modern minesweepers

BY PETER MARSH



HMS Bicester, Hunt-class minesweeper, seen off from Rosyth yesterday

BRITAIN'S four Hunt-class minesweepers, which set off yesterday for the Gulf conflict from their base in Rosyth, Scotland, are all equipped with the latest French-developed unmanned submarines capable of disabling mines on the seabed by blowing them up.

The use of the ships, however, may be limited by their inability to destroy mines floating on the surface or just under it. These may have to be dealt with by the time-honoured technique of cutting the mines' tethers with cable and then, once the devices are on the surface, detonating them by rifle fire.

The UK's minesweepers travel extremely slowly and will reach the Gulf in about five weeks. They are each fitted with two unmanned vehicles made by ECA, a French company based in Toulon.

ECA, the undisputed world leader in mine-countermeasures technology based on unmanned vehicles, has sold roughly 300 such systems, each of which can cost up to £1m. The vehicles, which are tethered to their parent ships by cable, can travel a few hundred metres in any direction and are powered by batteries.

They are similar in principle to the remotely controlled Wheelbarrow devices, used by the British Army for the past decade to blow up terrorist bombs in Northern Ireland.

The ECA systems are used after an operator on the mother vessel pinpoints the site of the mine on the seabed with the aid of sonar equipment. He guides the unmanned systems to the spot by sending instructions along the tether.

Once on the seabed, the operator switches on a TV camera on the unmanned vessel which gives him more detailed information. The submersible crawls the last few yards along the sea bottom before laying an explosive charge and withdrawing to a safe distance, at which point the charge is detonated by an acoustic signal from the minesweeper.

ECA systems are in standard use in most Nato countries, but not in the US. According to Mr Bob Parkes, project manager for CSIP, a UK company which provides technical support for the ECA vessels used by the Royal Navy, the US Navy has relied for its minesweeping operations on ships towing cables or on helicopters, which detonate mines by broadcasting acoustic or magnetic waves.

The use of ECA equipment in combating floating mines is, however, open to question. "A floating mine is a dreadful thing to deal with," said Mr Douglas Hampson, chairman of OSEL, a company based in Great Yarmouth, Norfolk, which sells unmanned submersibles, mainly to the offshore industry. "Application of technology to this problem does not give you any simple answers."

Floating mines, which may have initially been tethered to the seabed but which have floated free, are difficult to spot using either radar or sonar devices.

Second, laying a charge with an unmanned vehicle alongside a mine which is floating is much more difficult than simply putting the charge on the sea bottom. Assuming the mine is spotted either visually or with sensors, there may be no recourse other than to open fire with a gun or to send a diver to position the explosive. This is highly dangerous and is just the procedure that the unmanned vehicles were designed to make obsolete.

The position is complicated in the Gulf because it is believed that most mines will be floating, either anchored to the sea bottom or untethered. According to military experts, the Gulf is likely to contain relatively few mines on the seabed, which are generally more sophisticated.

Such mines are triggered by magnetic interactions, noise or pressure fluctuations, all caused by the movement of a ship above.

According to Mr Parkes of CSIP, which is based in Weymouth, Dorset, ECA's new generation of unmanned vehicles, which should see service in the Royal Navy next year, will contain more sophisticated technology, but will still find it difficult to deal with floating mines.

Taipei urged to ease curbs on China trips

By Bob King in Taipei

LEADING SCHOLARS in Taiwan have begun calling openly for relaxation of government restrictions on private contacts with mainland China—a sign of reforms after last month's ending of 38 years of martial law.

Analysts predict that visits to China by Taiwan residents—officially prescribed for years, along with correspondence and communications links—will soon be at least tacitly tolerated by the Government for "humanitarian" purposes.

Under the previous martial law, formally lifted on July 15, such visits would at the very least have caused such a traveller's passport to be suspended for as long as three years, should Taiwan's security agencies find out. In practice, though, the Government has preferred to ignore such trips as long as they involve visits to relatives and the like.

An estimated 2m people fled to Taiwan along with the Nationalist Government in 1949 after the Communist victory that year. Many have not seen or heard from their families since, because the Taiwan Government's policy of "no tacts, no negotiations, and no compromise" with the Communists proved an effective deterrent.

Proponents of the new liberalisations say that Taiwan's people have grown increasingly sophisticated and politically aware in recent years, and thus are not apt to be "tricked by the Communists"—a common rationale for past restrictions.

The recent lifting of an eight-year ban on direct visits to Hong Kong—a favourite entry point to China by visitors from Taiwan—is another sign of the Government's realisation that increased contacts are inevitable.

Seoul seeks to trim the conglomerates

BY RICHARD GOURLAY IN SEOUL

SOUTH KOREA has spelled out modest steps to start unravelling the complex tangle of inter-company holdings that has built up over 20 years of phenomenal development and concentrated economic power with a handful of dominant companies and individuals.

The influential Economic Planning Board last month spelled out the details of its Monopoly Regulation and Fair Trade Act, first introduced last November, which will limit a company or an individual's investment to 40 per cent of the issued capital of any of the big companies.

The measure is aimed at South Korea's biggest groups, called *chaebol* after their Japanese counterparts, the *zaibatsu*. They include the giant groups — Hyundai, Samsung, Lucky-Goldstar, and Daewoo but also 22 other groups. Together they will have to sell off 1.3m won ($1.6bn) of "excessive" shareholdings over a five-year period.

"The companies understand our policy about preventing business concentration," an Economic Planning Board official said. The largest conglomerates account for a much larger proportion of GNP than in any mature economy. In the past the Government has taken piecemeal steps to try to limit the power of the groups with limited success but planners realise they must encourage the development of small and medium-sized companies.

The 26 leading conglomerates will have to cut their holdings in group companies to 40 per cent of issued capital in three years, from an average today of about 45 per cent, and their holdings in other investments over five years, the Economic Planning Board official said.

Companies will reduce their holdings either by selling on the open market—which brokers say will be easily absorbed in the current market—or by rights issues in which they would not participate which would also help strengthen balance sheets and lower gearing ratios in line with government policy.

But despite the EPB's apparent tilt at the big companies the Government has not frozen ownership at current levels. Also, given the fact that many of the *chaebol* are family companies, it still remains unclear as to how their holdings will be limited to achieve a greater diversity of ownership.

Although the conglomerates have been the driving force behind the economy's phenomenal growth over 20 years, their dominant position in the economy is resented. Some brokers say the Government's concession to Opposition demands for genuine democratic change early in July may have been behind its move late last month and might give reform of the conglomerates a boost.

Tamil Tigers to surrender weapons

By Mervyn de Silva in Colombo

THE Tamil Liberation Tigers has finally decided to surrender all arms today despite many doubts expressed by its leaders, Mr Velupillai Prabhakaran now in Jaffna, the northern stronghold.

Today was the agreed date the original August 1 deadline fixed by the India-Sri Lanka peace accord was abandoned. "The point is that the surrender of weapons is going on and in this kind of situation we have to be flexible," said Mr J. N. Dixit, the Indian High Commissioner, who is in direct touch with President Jayawardene almost daily.

A Tigers spokesman said that a decision has now been made to surrender all arms in deference to persistent Indian requests, "this will be done," said.

Mr Prabhakaran has complained that the Sri Lankan army had not closed down all the camps it had established after its month-long offensive in May-June, one of the Government's main obligations under the accord. The "Home Guards," a 1,000-strong paramilitary unit has also not been disbanded nor all Tamil prisoners released, Mr Prabhakaran added.

The Government argues that it had already ordered the disbanding of the Home Guards and 1,300 youths held under the Anti-Terrorism Act had been freed.

S African MP quits party

BY OUR FOREIGN STAFF

SOUTH AFRICA'S Progressive Federal Party, which draws most of its support from cautious white liberals, has suffered another body blow with the resignation of Mr Jan van Eck.

Mr van Eck, one of the party's more radical MPs, resigned at the weekend in protest at what he sees as the PFP's lack of political courage and its reluctance to hold serious talks with black leaders. He will stay on in parliament as an independent.

"The party I have supported since 1971 is fast disappearing," he said, accusing the PFP of trying to win the support of more conservative voters and of taking a negative approach to recent talks in Senegal between white liberals and leaders of the outlawed African National Congress.

Last year Dr Fererik van Zyl Slabbert resigned as PFP leader and quit the parliament saying that the racially-segregated tricameral assembly—which includes Indians and Coloureds (people of mixed race), but not blacks—could not resolve South Africa's problems.

"The May election setback had a very negative effect on the PFP's commitment to being more than just a white party," said Mr van Eck. His resignation leaves the PFP with 18 elected members in the 178-seat white chamber.

Union Carbide to resume talks

TALKS ARE to be restarted between the Indian Government and Union Carbide of the US on compensation for victims of the lethal gas leak in 1985 at the company's Bhopal plant which caused the deaths of more than 2,400 people and injuries to over 30,000, John Elliott reports from New Delhi.

This follows an offer made in the Bhopal District Court yesterday by Union Carbide to deposit with the court over Rs20m ($1.53m) which is its share of dividends declared last week by its Bombay-based Indian subsidiary. The company has also asked the American Red Cross to remit to the court a further Rs40m from funds which it had earlier donated for relief work.

Japanese industrial production soars

INDUSTRIAL production in Japan jumped 4.3 per cent in June from the previous month, the largest month on month increase in over six years, Ian Rodger reports from Tokyo.

The seasonally adjusted production index for the mining and manufacturing industries rose to 125.4 (based on 1980 output), compared with 120.2 in May and 121.8 in June 1986, according to the Ministry of International Trade and Industry. The rise provides further evidence that the Japanese economy has begun to recover from the declining growth trend.

WORLD TRADE NEWS

Peru signs two pre-shipment inspection deals

BY BARBARA DURR IN LIMA

PERU HAS agreed to sign contracts with two international pre-shipment inspection companies, thus becoming the 26th third-world nation to engage in the controversial practice of giving foreign-based companies veto power over all imports.

In the case of Peru, the companies will be checking both imports and exports for over and under invoicing in order to prevent fraud and capital flight.

Pre-shipment inspection has been the focus of an increasing number of compaints in both the US and Europe from exporters who say that the companies force them to reduce their legitimate prices or to forgo sales of products which have already been shipped.

In Peru, the Geneva-based company Societe Generale de Surveillance will have the lion's share of the job, inspecting all exports and imports from everywhere except the US and Canada.

The London-based company, Specialist Services International, a subsidiary of the Inchcape Group, will inspect US and Canadian imports.

Exports of oil, Peru's single largest foreign exchange earner, are excluded. Oil accounted for $236m in exports last year when prices were low.

The companies will charge one per cent of the freight-on-board value of all inspected foreign trade, which without oil is expected to reach approximately $4.5bn.

To assure the service is worthwhile, the government has added a clause to the contracts which stipulates that the amounts saved by the inspection companies must in quantifiable terms double the amount of their fees, according to a source who was involved in the bidding That is, if the fees are $45m, the companies must find $90m in fraud, or about 2 per cent of all of Peru's foreign trade.

Peruvian exporters are vehemently opposed to inspection. In a statement denouncing the move, the Exporters Association said that, while abuses should be severely sanctioned, the government, rather than foreign companies, should supervise trade. The government has all of the information and means necessary "to avoid over and under invoicing," the association said.

The exporters also complained that the inspection agencies were too costly and that their effectiveness was questionable.

Peru's contracting agency is the Institute of Foreign Trade, which claims that the government does not have adequate means to verify world prices. Institute officials are convinced that the inspection agencies will stem a significant amount of capital flight.

Exporters cry foul at Taiwan export tax

BY BOB KING IN TAIPEI

CUSTOMS brokers have broken an impasse with the government over a new export tax which had threatened to delay shipments. Manufacturers and exporters, however, strapped by rising costs and the appreciating Taiwan dollar, are crying foul.

The government earlier this month agreed to a US proposal to cut a "harbour tax" on imports from four to 0.5 per cent. At the same time it placed a new 0.5 per cent tax on exports to make up for lost revenues.

Few questioned the new export tax. But a requirement that customs brokers, who specialise in moving goods quickly, pay it before goods were shipped, gave them cashflow problems. The brokers' protests last week held up shipments.

Faced with a slowdown from brokers, customs agreed to postpone the payments. Now though, exporters themselves are complaining the tax puts an additional burden on them, when profitability is threatened by higher costs and a stronger Taiwan dollar.

Italy wins EC probe into shoe imports

By Tim Dickson in Brussels

THE ITALIAN Government has persuaded the European Commission to launch an investigation into what it claims is the increasing volume of imported South Korean and Taiwanese shoes.

The move, which could lead to Far Eastern manufacturers being brought to heel through the imposition of penal duties, follows complaints to Brussels by the Rome authorities that the flow of cut-price products is harming the already depressed Italian footwear industry.

It was emphasised in Brussels yesterday that the inquiry is not an anti-dumping probe. The Italians maintain, however, that the offending shoes from South Korea have been selling in the domestic market at 60 per cent of the manufacturing costs of their own producers and 50 per cent in the case of the Taiwanese.

This is said to be putting in peril the future of the Italian national industry whose capacity utilisation has fallen from 80 per cent in 1985 to 72 per cent this year.

According to information supplied to the commission, South Korean imports of the products in question (most varieties of plastic, leather and rubber shoes) rose from 8.6m pairs in 1984 to 10.3m pairs in 1986 and 9.4m pairs in the first four months of this year alone. Those originating in Taiwan increased from 5.7m pairs to 9.1m pairs between 1984 and 1986 with 7m pairs recorded in the first four months of 1987.

South Korean shoes, it is claimed, now account for more than 23 per cent of the Italian market, against 5.5 per cent in 1984, whilst the Taiwanese share has shot up from 3.7 per cent to 17.2 per cent over the same period.

For the next year the $3.2bn a year sector has said that it would hold its exports to 841m pairs, the same level as in 1986, for all its markets worldwide. The only exceptions were to be the UK, Canada and France with whom Taiwan's shoemakers have for several years had "gentlemen's agreements" on export levels.

Canute James reports on raised hopes for export opportunities

Congress dresses up Caribbean initiative

CARIBBEAN hopes of significantly lifting the value of exports to the US under a special preferential programme have been raised again, with proposals from Congressmen from both sides of the House for expanding the trade facility. The Caribbean Basin Initiative, as the trade plan is called, was implemented on January 1984 and allows 22 countries, all designated by Washington, to ship a range of products duty free to the US.

Although they have welcomed the programme, Caribbean political and business leaders have argued repeatedly that they were not getting the full benefits and that more could be done with the CBI by the US Government.

The region's criticisms have been supported by the fact that, rather than experiencing an expected signficant increase in the value of exports to the US, CBI beneficiary states have seen their earnings declining. CBI country exports to the US last year were valued at $3.89bn, $1bn less than 1985 earnings. The decline has continued into this year, with first quarter earnings totalling $903m 17 per cent less than the corresponding period of last year.

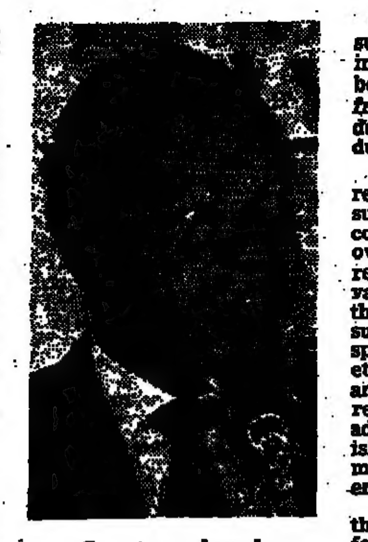
"We are pleased that the people in Congress have heard the criticisms that CBI beneficiary countries have made and that they are doing something to correct it," said Mr John Compton, Prime Minister of St Lucia.

Mr Hugh Shearer, Jamaica's deputy prime minister and Foreign Trade Minister, said if the proposed legislation in Washington were enacted, it would "open new avenues and increase production, employment and investment in the Caribbean."

The trade programme is set to last 12 years, but excluded from duty free treatment a few categories including garments, textiles, leather goods. The exclusions are the result of concern from US domestic producers that they could be damaged seriously by what they perceive as a flood of cheap Caribbean imports.

The Caribbean countries have argued, however, that the garment and leather goods industries are the basis of the expanding light industries, that they offer the best opportunities for increased foreign earnings and employment, and that the region's exports to the US could never be enough to injure domestic industry.

The repeated criticisms and the appeals for change appear now to be bearing some fruit. After a visit to several Caribbean countries earlier this year by members of the House ways and means committee, the Congressmen, led by Democrats Sam Gibbon and J. J. Pickle, are suggesting significant changes to the CBI.



Compten: pleased

If the changes are made to the CBI, the Caribbean will have either total or partial relief of duty on exports to the US which are now ineligible for CBI treatment. The beneficiary countries will also enjoy unlimited tariff exemption for articles manufactured, assembled or processed from materials, components or other products which originate totally in the US.

The proposed legislation also suggests the establishment of injury determination for CBI beneficiary nations separate from the rest of the world in dealing with countervailing duty and anti-dumping cases.

Equally significant for the region is a proposal that US sugar quotas for Caribbean countries, reduced progressively over the past four years, be restored to levels which prevailed at the start of 1984 when the CBI was implemented. Other suggested changes include special tariff treatment for ethanol produced in the region and shipped to the US and a reduction in the local value added criteria which the small island nations of the region must meet for their exports to enjoy preferential treatment.

"The proposals for changes in the CBI offer an expanded basis for trade . . . and it would allow us in the Caribbean to develop in areas we are capable of," Mr Shearer suggested.

The move by the Congressmen has also eased fears in the region over what was seen as an increasing tendency towards protectionism by legislators in Washington, further eroding what the region's trade officials and businessmen described as the "limited" benefits of the CBI.

"The CBI was pretending to give with one hand while the Congress and the Administration were taking with the other," said Mr Compton. "If this one turns sour it will be quite a let down for the Caribbean."

Ironically the lifting of Caribbean expectations for greater trade with the US followed howls of protest from the region at the implications of Washington's proposed textile legislation which would limit US imports. Although garments and textiles are excluded from preferential treatment under the CBI, several Caribbean Basin countries — mainly Costa Rica, the Dominican Republic, Haiti and Jamaica — have increased their exports to the US significantly through special access under a range of bilateral agreements.

The Caribbean Basin garment exporting countries last year shipped 385.10m square year equivalent of garments to the US — a 67.13 per cent increase on the volume shipped to the US in 1984. Earnings from garment exports last year reached $760.7m — 27.5 per cent more than 1985 earnings.

Mr Shearer argues that the textile legislation would destroy the bilateral agreements, breach the current international multifibre agreement, violate rules of the General Agreement on Tariffs and Trade (Gatt), and that the loss of foreign exchange and the capacity to export would lead to "dreadful consequences for our economies."

Pratt & Whitney secures $400m jumbo engine work

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PRATT AND WHITNEY of the US has won a $400m order from United Airlines of the US for its new PW-4000 high-thrust jet engine, to power 15 Boeing 747-400 long-range Jumbo jets.

Announcing the deal, for which General Electric of the US was also the competing, Pratt and Whitney said the PW-4000 would "promise significantly greater fuel efficiency over other existing engines, and reduced maintenance expenses of up to 25 per cent."

Mr James J. Hartigan, United's chairman, said "a key advantage to United in ordering the PW-4000 is that it can be used to power the McDonnell Douglas MD-11, Boeing 767s or other wide-body aircraft which be certified for this engine type." United has said it will stay with one engine type in future on all new wide-bodied airliners it may buy.

● Air Malta has chosen the Franco-US (Snecma-General Electric) CFM-56-5A1 jet engine to power the one Airbus A-320 jet airliner currently on order for that airline. The only competitor was the V-2500, now under development by International Aero Engines, the consortium in which Rolls-Royce has a 30 per cent stake.

● British Aerospace has won an order for one BAe 146-200 four-engined regional jet airliner from SATA (Servicio Alcoreano de Transportes Aereos), of the Azores. The price is not disclosed. Delivery will be early next year, but meantime SATA is leasing a BAe 146 for its inter-island routes. The deal brings total firm sales for passenger versions of the 146 to 194,

Canada trade surplus falls

By David Owen in Toronto

CANADA'S trade surplus fell to its lowest level since April 1980 in June as a record C$10bn ($7.5bn) in imports poured into the country.

The June surplus narrowed to just C$68m from C$1bn in May and C$1.6bn in April, according to Statistics Canada figures.

While exports declined 0.9 per cent to C$10.06bn, rising imports were primarily responsible for the trend, with purchases of crude oil and machinery at the root of a 9.7 per cent increase.

The country's trade balance with its major trading partner, the US also deteriorated. June exports to the US fell by C$70m to C$7.8bn, while imports rose by C$485m to C$6.9bn.

US urges China to adopt HK-style economic policy

US officials yesterday urged China to strengthen its laws and imitate the policies of capitalist Hong Kong to attract more foreign investment and increase its trade with the US, Reuter reports from Hong Kong.

China's economic links with the rest of the world were being held back because foreigners had little confidence in its backward legal system. They told a three-day "US-China Joint Session on Trade, Investment and Economic Law" in Peking.

"I urge (China's) leaders to learn from the examples of others," said Mr Douglas Riggs, general counsel in the US Department of Commerce.

"Hong Kong is a good example of what can be achieved by applying the principles of free and fair trade," he said, adding that the British-ruled territory also offered firms investment protection with laws governing patents and copyright.

China urgently needed to introduce law on intellectual property in its chemical and pharmaceutical industries if it wanted to attract foreign technology, he added.

Mr Riggs and other speakers said potential foreign investors were being scared away from China.

"The further one is from Peking, the less respect there seems to be for regulations." New York lawyer Mr Jerome Cohen said.

Foreign businessmen were sometimes not even allowed to know Chinese law which affected them, their contracts were not protected against future legislation and foreign law firms were not allowed to operate in the country, he said.

AMERICAN NEWS

Carmen Gloria tells her painful story of Chilean justice

Robert Graham reports on an unusual human rights case now before the appeal court

THE CASE of Carmen Gloria Quintana haunts Chile like Banquo's ghost. She herself says: "I have returned from the dead to speak for the dead."

Carmen Gloria is a 19-year-old student who on July 2 last year was doused with petrol by a military patrol and set alight. She survived miraculously but suffered appalling third degree burns. Rodrigo Rojas Denegri, aged 19, a budding photographer of Chilean nationality but resident in Washington DC, died after receiving the same treatment.

The case is simply known as *Los Quemados*, "the burnt ones." It is one of the most emotive cases to have begun the picaresque journey through the legal system managed by the military regime of General Augusto Pinochet.

"This case brings together all the agonies and tribulations of Chile since Pinochet seized power in 1973," says Juan Toro, her lawyer.

Rodrigo was sent to the US aged eight while his mother was still a political detainee in Chile. Deported in 1977, the first time she returned to Chile was to be at the bedside of her dying son, and then only by special permission. Rodrigo had come to Chile in April 1986 to see for himself the country from which his mother was barred.

Carmen Gloria comes from modest circumstances in Santiago, the first of her family to make it to university. She, as a result of what happened, became a political exile in Canada along with her mother and father, sister and brother-in-law.

The story told by Carmen Gloria—and taken from Rodrigo in desposition before he died—was the following: on July 2 a group gathered in a poor suburb of Santiago to participate in a two-day series of protests. They intended to erect a burning barricade and had the necessary petrol and bottles to ignite the material. Rodrigo had heard about their plans and was there to take photographs.

A military patrol turned up unexpectedly and they all ran. Carmen Gloria and Rodrigo were caught. They were beaten up, their clothes impregnated with petrol and then set alight. Ultimately they were wrapped in blankets and driven by the same military patrol some 10km outside Santiago and dumped near the airport in a lonely spot. They managed to stagger to a nearby road where a construction worker found them and alerted the *carabineros* police.

Rodrigo died four days later. Carmen survived after being given less than a one in six chance. She needed more than three kilos of skin graft.

The case was unusual from the start because there was a survivor hideously disfigured, the fact that Rodrigo was a Washington resident (guaranteeing US attention) and because of the large number of witnesses. Lawyers for the two civil parties in the case have 14 witnesses testifying against the military.

For 16 days after the event the Pinochet Government categorically denied military involvement. The denials came from the ministers of defence and interior in person. The pro-government media insinuated Carmen Gloria was a Communist.

By the time the Government admitted the involvement of no less than three officers, five NCOs and 17 conscripts, the judicial investigation had passed through two magistrates to a special prosecutor, Alberto Echevarria. The latter was well known among human rights lawyers for his investigations into the 1980 death of a student, Eduardo Lara: he released without bail 25 policemen identified by the Interior Ministry as involved in the student's disappearance and the case remains unresolved.

Pinochet: his government denied military involvement

Echevarria proceded to release the 17 conscripts free of all charge and bailed the three officers and five NCOs. Then, only taking evidence from the military, he published his view of what had happened: namely that Carmen Gloria had kicked a bottle of inflammable liquid with her foot which had accidentally set alight herself and Rodrigo.

The sole wrong, limited to one officer, Lt Pedro Fernandez Dittus, was to have left the two youths in an "inappropriate place." The lieutenant should therefore face a limited charge of inadvertent manslaughter in the case of Rodrigo and grievous bodily harm in the case of Carmen Gloria. Echevarria then bowed out, handing over legal proceedings to a military tribunal.

In response to public outrage at the levity of the proposed charge, an adhoc military prosecutor was appointed — Col Alberto Marquez, a legal adviser to the presidency and part of General Pinochet's military household. In March this year a five-man martial law court agreed to change the charge against Lt Fernandez Dittus to the more serious one of manslaughter and deliberate intent to commit grievous bodily harm.

This was after the special branch of the *carabineiros* published their findings which stated definitely that the injuries sustained by Carmen Gloria and Rodrigo could not have been caused by an incendiary device exploding accidentally or having been kicked by Carmen Gloria; that their clothes had been impregnated with petrol; and that an incendiary device had been thrown from a distance. It all rejected the military's version

No sooner had the charge been made more serious than the three military men on the martial law court panel were replaced. The new people, who included a former interior minister and a lawyer investigating the unresolved assassination in 1985 of three Communist Party activists, promptly called for a new investigation, not this time by the *carabineiros* but by the secret police (CNI).

The latter duly concluded that it was quite possible for Carmen Gloria to have kicked a bottle full of inflammable liquid and set herself and her colleague alight (ignoring the fact that the one part not affected by burns in either of the two were the soles of their feet). The matter is now before an appeal court.

These are the broad lines of the case, but what happened at the margins is just as revealing of the system of justice. Carmen Gloria returned to Chile on June 6 to take part in court hearings expected to last two weeks. She has been in the country more than 40 days.

An identity parade was organised for her to confront her aggressors but they were allowed to put so much black grease paint on their faces as to be unrecognisable. She refused to sign the identity parade document.

Carmen Gloria's chief witness, Jorge Sanhueza, has received death threats and been briefly kidnapped. Carmen Gloria's sister Emelia and her husband, also witnesses, were held incommunicado last August for 48 hours only two days after they got married. Luis Toro, her lawyer, miraculously foiled an attempt on his life last September.

The head of the church-run Solidarity organisation, Vicario de Solidarid, which is organising Carmen Gloria's case, has received death threats and last year was sent the severed head of a pig. Meanwhile the officr concerned has been promoted to captain.

No person in uniform has been punished for a prominent human rights crime, including the 668 people who disappeared in Chile between 1973-76. Lawyers blame this situation on the absence of any separation of powers and the encroachment of military law throughout the legal system. Over 90 per cent of cases before military courts concern civilians.

As for the civilian Supreme Court, the normal retirement regulations limiting age to 75 have been waived on its 16 members.

"The judges don't interpret laws they execute laws made by the Junta," says Alejandro Hales, head of the Lawyers' College. "With very few exceptions they operate under self limitations and believe in the doctrine of national security."

CHILE and the US yesterday officially opened a controversial emergency landing strip on Easter Island for US space shuttles, Reuter reports from Santiago. The $8m runway, built by Nasa, the US space agency, is a 400-yard extension of an airstrip on the island, which is owned by Chile and is 2,000 miles off the country's coast.

It was built despite protests by some local politicians who feared damage to the island's stone statues, believed to have been built around 800 AD by Polynesian settlers.

The runway, one of four worldwide, will not be used until Nasa begins rescheduling shuttle launches, which were suspended after the Challenger disaster last year.

Argentine debt 'needs different approach'

By Tim Coone in Buenos Aires

A NEW approach is needed to resolve Argentina's foreign debt problem, according to Dr Jose Luis Machinea, president of the Central bank.

"This does not mean a moratorium," he said, "but may require a write-off of principal, a reduction of interest rates or a combination of the two."

In a recent interview with the Financial Times, he said that the impact of the debt on Argentina's public finances "is spectacular" and blamed it as being one of the underlying causes of economic and financial instability in Argentina's economy.

Argentina's foreign debt currently stands in the region of $54bn. According to Dr Machinea, service charges, paid out of the central government budget, absorb some 5 per cent of gross national product. The financing of this through high levels of domestic borrowing has resulted in high interest rates, and a large "quasi-fiscal" deficit (operating losses of the central bank) which Dr Machinea said has been the cause of the recent rise in the inflation rate.

Last month, retail prices rose by 10.1 per cent. Dr Machinea said: "There is little probability that August's figure will be any less."

He said: "Something will have to be done" on the foreign debt problem, which will require a "redefinition of the role of the IMF (International Monetary Fund) with longer-term targets and financial support programmes.

He said the long delays in negotiations with the IMF and creditor banks, with disbursements conditioned on short-term quarterly targets, had generated difficulties in the public sector finances this year "and introduced instability" in the economy.

Disbursements of $1.4bn IMF standby loan, originally agreed in January this year, were delayed until this month, due to the protracted negotiations needed to reach agreement between Argentina and its commercial creditors.

A loan package of $1.95bn from the commercial banks and a long-term rollover of almost $30bn in principal is finally to be signed this Friday by Mr Juan Sourouille, Economy Minister.

Mexico, Brazil presidents meet

BY WILLIAM ORME IN MEXICO CITY

BRAZIL and Mexico, Latin America's largest nations, began rare presidential-level talks yesterday on issues ranging from coffee sales to Central America to the foreign debt.

Mr Jose Sarney, the Brazilian President who arrived in Mexico late on Sunday for a three-day state visit, is also expected to push for discussions on Mexican imports from Brazil.

Since the onset of the debt crisis five years ago, both countries have called for extended inter-regional Latin American trade.

Yet the commercial exchange between Mexico and Brazil, the region's two dominant economies, had fallen by last year to a scant $307m, barely a fifth of what it was in 1981. Most of this bilateral trade is composed of Mexican oil exports.

Brazil and Mexico are the largest debtor nations in the developing world, owing together about $212bn in roughly equal shares – the bulk of the $380bn Latin American debt.

Officials in both countries favour closer technical co-operation on debt issues, including the sharing of banking data and innovative negotiating ideas, but they continue to avoid any collaboration that might be construed as an incipient debtors' cartel.

While Mexican President Mr Miguel de la Madrid earlier this year voiced support and "understanding" for Brazil's suspension of interest payments, some Mexican officials have privately been critical of Brazil's recent economic management, contrasting its troubles with Mexico's relatively positive performance this year.

The bilateral discussions are also expected to lay groundwork for the Mexico City meeting of eight Latin American presidents scheduled for the last weekend of November.

Invited to the regional summit are the chiefs of state of the four Contadora group nations – Mexico, Colombia, Panama and Venezuela – and the so-called Contadora support group of Argentina, Brazil, Peru and Uruguay.

US deficit 'will fall to $158bn'

THE White House now estimates that the Federal deficit in fiscal 1987 will shrink to $158.4bn from $221bn in fiscal 1986, AP-DJ reports from Washington.

In its mid-session budget review, the White House Office of Management and Budget put the fiscal 1988 deficit projection at $123.3bn.

Mr James Miller, budget director, indicated in mid-July that the fiscal 1987 budget deficit would total about $155bn.

The new budget estimates are regarded as "current services" figures, designed to reflect what would result if Congress did not make any major changes in spending policy.

Brazil public pay ceiling urged

BY IVO DAWNAY IN RIO DE JANEIRO

FRESH REVELATIONS of hundreds of civil servants earning huge salaries have revived the clamour for ceilings on public sector wages in Brazil.

The latest figures on the maharajahs, as the high earners have been dubbed, come from an investigation in Sao Paulo state and reveal a new record-holder. Mr Helio Cardoso Fernandes, a retired colonel, is currently receiving Cruzados 820,000 (£11,000) a month — substantially more than the earnings of President Ronald Reagan, some 370 times greater than Brazil's minimum salary and enough to employ 80 ordinary police officers.

Mr Cardoso is not alone in his good fortune. The Sao Paulo inquiry has unearthed 1,600 officials whose combination of perks, long-service awards, basic salaries and retirement schemes combine to give monthly earnings of more than Cz 140,000, thereby qualifying them for the maharajah sobriquet.

Among them are two leaders of the fiercely socialist Workers' Party at least one coffee waiter (the Brazilian equivalent of Britain's office tea lady) and the secretary for the defence of consumer interests.

The latter is a relative pauper compared to Mr Cardoso, conducting his battles for the Sao Paulo taxpayer on a sum just under $10,000 a month.

The investigation has, however, been confined only to the 625,000 employees of the state administration. Despite pressure from Mr Orestes Quercia, the state governor, there is still considerable resistance from within the judiciary to an inquiry, though the legislature is now examining its books under the beady eye of Deputy Luis Benedito Massimo, a state prosecutor, currently earning Cz 217,271 before a pay rise due to come through in September.

Hardly surprisingly, these super-salaries have provoked anger and resentment among large sections of Sao Paulo's 30m-odd less well-off citizens. But at the same time, the pay rates, while exceptional, are fully justified legally, with each case representing the consequence of accumulated benefits.

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Clive Wolman on how a key securities operation lost its obscurity

Share borrowing stirs a controversy

MOVES TO tackle the dangerously large backlog of Stock Exchange paperwork have brought one of the most obscure but important activities of the securities industry into the centre of controversy.

The borrowing of shares has been proving, for a few market-making firms, a highly profitable byproduct of the settlements crisis. A surprise intervention last month by the Bank of England to make it more difficult has aroused resentment and criticism from those involved and those excluded.

Both groups say a more liberalised system would alleviate the settlements tangle. The present rules, they say, are protecting a web of restrictive practices, privileges and heavy-handed regulation, reminiscent of the pre-Big Bang days of the Stock Exchange cartel.

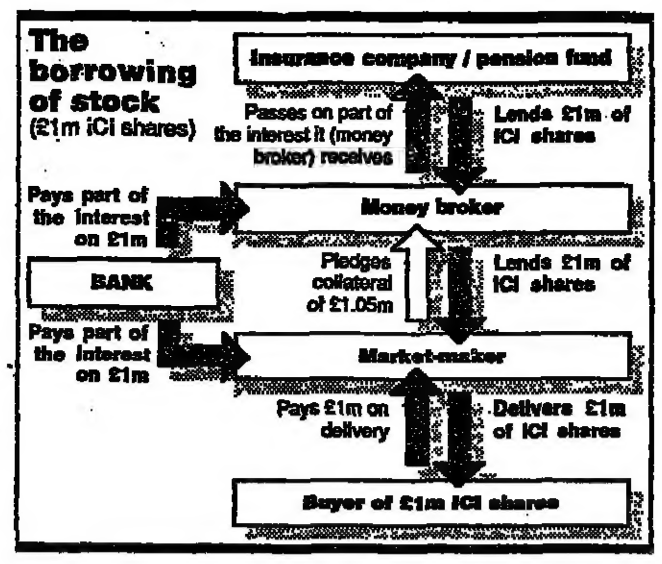
According to the finance director of one of the leading market-making firms: "I only hope that Sir Gordon Borrie [the Director General of Fair Trading, who successfully challenged the Stock Exchange cartel] does not decide to take an interest in what is going on."

Serious backlogs of unsettled bargains give stock loans a fresh importance

Although the practice of borrowing gilt-edged securities dates back much further, the present structure for borrowing shares was set up only 20 years ago, after the introduction of new tax rules. Until recently, the structure was used primarily to allow jobbers (market-makers) to "sell short": that is, to sell shares they do not own and then borrow shares to deliver to their customers.

In the US, the much more open system of stock borrowing plays a central role in facilitating the settlement of bargains. In the UK, the serious backlog of unsettled bargains has given stock borrowing a fresh importance. The value of borrowed shares outstanding is now estimated to be fluctuating between £2bn and £3bn.

The system's attraction arises when a market-making firm finds that it cannot lay its hands on all the share certificates it is supposed to deliver to those investors who bought from it. The certificates may have been mislaid in the firm's own office, but the usual reason is that the investors who originally sold their shares to the market-making firm have not yet delivered.



The market-maker therefore borrows the share certificates from, typically, the vaults of a large institutional investor. The borrowed stock thus breaks the logjam and prevents one delay from having a knock-on effect in preventing the settlement of a chain of bargains.

For the market-making firm, that practice can be lucrative, since shares do not have to be paid for until the certificates are delivered. By borrowing and delivering stock, the firm receives its money immediately but, because the seller has not delivered his stock, the market-maker does not have to pay money on the other side of the bargain.

Thus it can earn interest on the money, offset only by the fee it has to pay to borrow the stock, equivalent to about 2 per cent of its value a year.

Smith New Court, the market-making firm with a 20 per cent share of equity market deals, is thought to be earning interest income at an annualised rate of £25m from its stock borrowing.

The losers are those investors and broking firms that fail to deliver their shares on time. The broking firms, particularly the smaller ones, are now complaining against the restriction that only the market-makers are allowed to borrow stock and reap those profits.

A stock-borrowing facility would be particularly useful in broker-to-broker deals that involve no market-makers and in cases where the broker has to pay money to an investment client for stock that the client is unable to deliver immediately. In that situation, the broker may have to borrow the money until he receives the stock.

Mr David Dugdale, a director of James Capel, the leading stockbroking firm with no market-making arm, says: "We would dearly love to be able to borrow stock. But the authorities keep an extremely tight control over things."

The Stock Exchange says that privilege is restricted to encourage firms to become market-makers. A further reason is that the supply of stock for borrowing appears to be limited, as many institutional investors, including large ones such as the British Rail pension fund, do not lend stock, in some cases for legal reasons but more commonly through inertia.

Stock borrowing is also made less remunerative for the institutions by the requirement that it must be done through the nine Stock Exchange money brokers, the only authorised intermediaries, whose business is also booming as a result of the settlements crisis.

A large market-making firm in daily or even hourly contact with an institution and knowing its portfolio intimately cannot borrow from it directly. According to a director of Barclays de Zoete Wedd: "For the smaller firms, the money brokers are very useful in finding stock, but, for large firms like ourselves, it would often be cheaper to do it ourselves."

The Bank of England has given that privileged position to the money brokers for borrowing gilts to make its regulation of the gilt-edged market easier. The Stock Exchange has duplicated its restrictions in the equity market, primarily to assuage the Inland Revenue's concerns about the potential for tax dodging.

An unexpected move by the Bank in mid-July raised discontent to a new pitch. It required equity market-makers to increase the collateral placed with the money brokers against the borrowing of stock from 100 per cent to 105 per cent of its value, marked to the market price on a daily basis. Although dissuaded by the Stock Exchange from raising the requirement to 110 per cent, it says it is considering further restrictions.

Mr Michael Heath, a director of Smith New Court, says the move places severe pressure on his firm's limited capital and prevents it from making full use of stock borrowing to ease settlements. "The Bank are being ridiculously naive. It is a clear demonstration of their lack of understanding of the equity market."

'We would love to borrow stock, but the authorities keep extremely tight control'

Some believe that the Bank's intervention was a clumsy way of signalling its concern about the settlements backlog or that it was panicked by the disruption in the money markets caused by the borrowing and delivery against cash of large tranches of stock late in the afternoon.

The Bank insists that the move was made purely for prudential reasons to limit the risks of default by a money broker, which might destabilise the gilt-edged market.

Mr Heath argues that such risks should have been tackled by requiring the moneybrokers to increase their capital backing.

The risks of a money broker's defaulting and the consequent destabilisation of the gilt market seem remote. The money broker would have to be lending large volumes of stock to a market-maker that became insolvent just as the price of the borrowed stock was shooting up far above the value of the collateral, giving the money broker too little time to buy back the shares it had lent.

Rival bidders call truce over bid for Mercantile

BY CLIVE WOLMAN

THE BRITISH and Commonwealth Holdings conglomerate and Quadrex Holdings, the financial company owned by Mr Gary Klesch, yesterday announced a deal to divide up the components of Mercantile House Holdings and end their competitive bidding for the company.

As a result of renewed negotiations which were concluded at midnight on Sunday, B & C has agreed to sell to Quadrex for £280m the international moneybroking arm of Mercantile, M. W. Marshall and Company, and its US bond inter-dealer broker, William Street.

Mr John Gunn, B & C chairman, said: "Because of the rebuffs Klesch had, there was little for him to lose by going hostile and making another bid if we had not come to an agreement." He said that the counter-proposals for a management buyout of Marshall which would have given CrownX the Canadian insurance company, a large minority stake, had been rejected because they were subject to too many conditions, delays and doubts about the financing.

Eleven days ago, B & C made an improved £550m offer for Mercantile, with the backing of the Mercantile board, which outstripped Mr Klesch's earlier offer.

However, the managers of Marshall and William Street, who had independently drawn up proposals for management buy outs, said last night that they were continuing to work on alternative proposals.

Mr Michael Warren, chairman of Marshall, said that he was planning to fly to Canada today to discuss the situation with CrownX, which has a 14.9 per cent stake in Mercantile.

Mr Warren said that his management buy-out proposals, submitted on Friday evening, would have given B&C a higher price than Quadrex has, and that B&C's objections were a smokescreen to justify abandoning its earlier commitment to take into account the views of the management and staff of Marshalls.

"B&C gave no indication that there was going to be pressure on CrownX to come up with all the details of the financing package within a 48-hour time frame," he said.

The options now being considered by Marshall's management and CrownX include a mass departure of Marshall's senior staff to set up a new firm backed by CrownX or the possibility of yet another counterbid for Mercantile by CrownX.

However, CrownX's policy towards Mercantile has been marred by indecision since it first took its stake in January. It earlier considered bidding for its US-based fund management arm, Oppenheimer, which B&C is now set to acquire

Mr Vincent Griffo, chairman of William Street, said last night in New York: "There is a real possibility that we could leave and set up our own company. I think we and the Marshall's people would feel a little more comfortable under CrownX's umbrella, at least until we get to know Mr Klesch better."

Mr Klesch discussed his proposed acquisition with Mr Griffo in London on Friday evening and with Marshall's directors on Friday and Saturday but without reaching any agreement.

Fears for shipyard as defence bid fails

By James Buxton, Scottish Correspondent

THE FUTURE of the Scott Lithgow shipyard on the Lower Clyde was thrown into deep uncertainty yesterday when the Ministry of Defence rejected its reduced bid to build three small ships for the Royal Navy.

Scott Lithgow had been invited to bid without competition to build a range mooring vessel and two powered mooring lighters. Its initial bid of £15m was rejected by the Ministry of Defence, as was a revised bid of £13.8m.

Yesterday Mr Timothy Sainsbury, the defence procurement minister, told Scott Lithgow that its final bid – believed to be worth about £12.5m – had also been rejected as it was still outside the band indicated by the Ministry. This is in the region of £10m.

Scott Lithgow faces the prospect of running out of work before the end of the year. Work on lengthening the Cunard container ship Atlantic Conveyor is nearing completion and the Ocean Alliance drilling rig being built for Britoil is due for completion in November.

Yesterday the company, which employs about 2,000 people, said it was aggressively pursuing offshore and shipbuilding work. It emphasised, however, that even if new work was secured, "it is unlikely that the present levels of activity will be maintained" – an apparent reference to possible redundancies.

Scott Lithgow was invited to bid without competition to build the vessels for the navy after it failed last year to win an order for type 2400 submarines, which was awarded to Vickers. In more than a year and a half of negotiations it failed to reach agreement with the Ministry of Defence.

Yesterday the ministry said that Scott Lithgow had failed to present a design specification for the range mooring vessel. It had originally quoted a price of about £20m for the contract, the ministry said.

The yard yesterday refused to comment on these claims.

The Ministry of Defence will put the contract for the ships out to public tender. Scott Lithgow is among the nine shipyards in England and Scotland which will be invited to tender for the range mooring vessel, and the 14 that will be asked to tender for the lighters.

Discipline eased for unions at GCHQ

By Our Labour Correspondent

OFFICIALS at Government Communications Headquarters (GCHQ) appeared last night to have backed away from causing fresh controversy over the union ban imposed three years ago.

Eleven of the trade unionists still defying the ban said they had been told they would not, after all, be disciplined for staging a two-day strike in June as part of their union's national pay campaign.

The move suggests that the Government is anxious to avoid any further trouble about GCHQ and that it plans to deal quietly and patiently with the 20 or so remaining union members. They are being pressed to take early retirement or to transfer to other government departments.

The 11 strikers, members of the Society of Civil and Public Servants (SCPS), had been asked to explain their absence from work and had expected to be penalised.

In letters received from the GCHQ management yesterday, however, they were told no disciplinary action would be pursued. At the same time, the letters said such action could be taken in future.

Mr Mike Grindley, secretary of the SCPS branch formed by the GCHQ members, said last night: "We were not going to take any notice anyway, but this is a bit of a surprise after all the noises that were being made."

The union ban at GCHQ at Cheltenham and its out-stations, imposed by the Government on grounds of national security, remains an emotive issue in the union movement. Any disciplinary action against the SCPS members would have risked a backlash and further unfavourable publicity.

Abbey National in insurance venture

BY HUGO DIXON

ABBEY NATIONAL, Britain's second largest building society, will next year link up with Friends Provident, the large mutual life company, for the purpose of marketing life assurance policies, unit trusts and personal pensions.

The link-up has been forced by the Securities and Investments Board, the new financial services regulatory body. It is requiring all institutions marketing life assurance and related products to choose between giving independent advice on the whole range of products available in the market and selling the products of one company.

Abbey is the only big building society to have chosen to tie itself to a single life company. Other societies have argued that, as mutual institutions, they owe it to their customers to give them independent advice.

However, Abbey's decision is in line with that taken by all the clearing banks – except National Westminster, which has yet to make up its mind. The clearers, though, will be selling their own in-house products rather than tying themselves to an outside life company.

The link-up also breaks new ground in the life industry. All the top mutual life companies, apart from Friends, are committed to preserving independent intermediaries and have therefore promised not to negotiate tied agency deals.

Abbey said the link-up would have considerable financial benefits. These would be passed on in lower prices and better service, it argued.

In the first year, Abbey, which claims to be Britain's second largest retailer of insurance products, expects to pass about £2bn of mortgage-related business to Friends. As a result, Friends' business will expand by 50 per cent overnight.

As time goes on, both parties see the relationship expanding. Abbey wants to develop personal pensions in association with Friends as well as increasing the amount of mortgage business it passes on.

Merit pay for manual workers gains ground as unions yield

BY DAVID BRINDLE, LABOUR CORRESPONDENT

TRADITIONAL trade union suspicion of merit pay for manual workers is being overcome by the openness of systems being introduced by employers, according to a report published today.

Increasing sophistication of manual work and harmonisation of blue and white-collar pay and conditions is causing growing numbers of employers to consider performance appraisal and pay linkages, the study says.

The report, by Industrial Relations Services, the research group, looks at systems at four companies: Sanyo Industries, the electronics manufacturer; Wellcome Foundation, the pharmaceutical products supplier; Duracell, the battery manufacturer; and Metal Box, the can producer. In each case, the system was introduced with union consent.

At Sanyo, IRS says, there have been no disagreements about individual performance assessments in four years. Details of all individual awards are given to union and employee representatives.

At Wellcome, IRS reports, the appraisal system covering 1,200 manual workers allows the company to withhold grade increments worth 3.5 per cent in the event of performance assessed as unsatisfactory.

After 18 months' operation, about 60 of the workers had been rated unsatisfactory. Again, the system is said to be an open one.

The Duracell system, for 450 manual workers at Crawley, south of London, assesses performance monthly and an employee requires one "commendable" rating in a three-month period to qualify for a bonus.

A formal grievance procedure exists for appeals and the company gives union representatives the number – though not the names – of workers rated commendable.

The fourth system, at Metal Box's plant at Braunstone, Leicestershire, in the East Midlands, is not linked to pay. It consists of six-monthly appraisal interviews.

Industrial Relations Review and Report 398; IRS, 18-20 Highbury Place, London N5 1QP; by subscription.

Welsh pits held back by disputes

By Charles Leadbeater, Labour Staff

PLANS FOR the South Wales coalfield to break even this year have been put back after a series of unofficial disputes during the first quarter of this financial year which have lost 60,000 tonnes of production worth £3m.

Mr Ron Price, British Coal's area director, said the area's deep mines have incurred a deficit of £14m. The coalfield made its first operating profit since the 1950s in the 1986-87 financial year, with a profit of £2m on the combined activies of opencast and deep mined production.

Opencast mines made a profit of £43m, whiles the area's deep mines reduced their deficit by £10m to £41m.

Mr Price said that in future collieries would be required to stand on their own feet financially, and the area would need to generate at least a £20m profit a year to cover capital charges and borrowing.

He praised the performance of Oakdale colliery, which made a profit of £5.8m on output of more than 1m tonnes, and Tower colliery which turned a loss of £30 per tonne in 1985-86 into a profit by March this year.

Productivity in South Wales pits increased by 32 per cent in the 12 months to August, producing a 14 per cent fall in operating costs in real terms, he said.

But Mr Price said that pits which continued to make irrecoverable losses and could not compete on cost were bound to face the severest difficulties.

● FT LAW REPORTS

Digest of Trinity Term cases

FROM JUNE 2 TO JUNE 23

Enrico SPA v Phillipp Bros (FT, June 2)

The buyers bought a cargo of rice under a contract that specified "one main Italian port to be declared." They declared for Ravenna which had too shallow a draft for the vessel so it was an order with which the sellers could never have complied. In allowing the sellers' appeal by a majority against a decision that the buyers were not liable for demurrage, Sir John Donaldson MR stated that while any court would hesitate for a long time before holding that the parties had contracted for the impossible, particularly in a commercial contract, the court could not construe "main Italian port" as "all main Italian ports except Ravenna" or to imply a term that the buyers could not choose a port with a draft limitation less than that of the vessel on arrival.

Sonat Offshore SA v Amerada Hess Development Ltd and Texaco (Britain) Ltd (FT, June 3)

At first instance the defendant ("Texaco") was ordered to pay the plaintiff an equipment breakdown rate for the period that the oil rig, supplied by the plaintiff, was out of action due to an explosion on board through the plaintiff's own negligence. In allowing Texaco's appeal, the Court of Appeal stated that in the absence of an express stipulation to the effect that the defendants would make regular payments whether or not the work or services was being rendered, such a term would only be inferred if there was no reasonable alternative. In the instant case, it was not necessary to construe the contract as extending to cover continuing payment even in the event of the plaintiff's negligence or wilful default.

Davies v Eli Lilly & Co and Others (FT, June 5)

In deciding on lead cases to try the common issues in the Opren drug trial, Mr Justice Hirst had ordered that the costs were to be equally divided among the lead plaintiffs, whether or not they were legally-aided, so that each plaintiff would be liable up to 1/1500 of any costs unrecoverable from the defendants on liability in negligence. In dismissing an appeal against this decision Sir John Donaldson MR stated that Mr Justice Hirst's order was a fair and workable solution to a novel and highly complex situation. There was nothing in Order 62 rule 3 (3) which prevented a court from making an order in relation to costs not yet incurred, and the Supreme Court Act 1981, section 51, gave the court the widest possible discretion in this regard.

Dews v National Coal Board (FT, June 9)

Mr Dews, a miner, was injured in the course of his employment. He claimed to have his unpaid compulsory pension contributions taken into account in assessing the damages. In reconciling two fundamental principles concerning damages for personal injury namely, that damages were compensatory, and second, that it was no concern of the tortfeasor how an injured plaintiff spent his money, the House of Lords held that different considerations applied with regard to pension contributions which were not intended to provide any immediate benefit to the employee. In the instant case, Mr Dews would not lose his pension in the future as the result of not having paid contributions for a limited period and he could not therefore recover the contributions and the pension that those contributions would have purchased, for that would allow double recovery.

Bulk Transport Group Shipping Co v Seacrystal Ltd (FT, June 10)

In a Gencon charter, laytime was to commence after notice of readiness was given "time to count (whether in berth or not)." When the ship arrived in port, a berth was available but the ship was unable to proceed because of the fog. In restoring the arbitrator's decision that the clause converted a berth charter into a port charter and that time began to run on the vessel's arrival in port, the Court of Appeal stated that "whether in berth or not" enabled valid notice of readiness to be given once the vessel had arrived in port, even though the reason she was prevented from proceeding further was not unavailability of a berth but bad weather.

Regina v Secretary of State for Social Services Ex Parte Wellcome Foundation Ltd (FT, June 12)

In order to grant a parallel import licence for a proprietary medicinal product, to be imported from an EC member state, the Secretary of State was not obliged to consider whether the product infringed trade mark rights in the UK, the Court of Appeal held. The Medicines Act 1968 was directed at health and safety, to which trade mark rights were irrelevant and there was no indication that parliament contemplated that the licensing authority should have regard to the proprietary rights of individuals. Thus rights arising under trade marks should be enforced in the ordinary way.

Ferometal Sarl v Mediterranean Shipping Co SA (FT, June 16)

The issue was whether the option to cancel, which *prima facie* accured to the charterers because the vessel was not ready to load by the cancelling date, had been lost because the characters had repudiated the charter by anticipatory breach and then had confirmed a fixture and loaded the vessel. In dismissing the owners' appeal a decision that the charterers were not liable to them for dead freight, Mr Justice Leggatt said that the facts did warrant a departure from the general rule that where an innocent party elected not to accept a repudiation, the repudiating party could rely on any subsequent event which excused him. The factual situation giving rise to the option had actually occurred and the characters were entitled to cancel.

Daly v Lime Street Underwriting Agencies Ltd (FT, June 17)

Mr Daly, who was an American citizen and a member of a Lloyd's syndicate from 1978 to 1985, sought a declaration that he had not conferred any authority on the syndicate to commence an action on his behalf in the US. He was concerned to restrain certain proceeding against a US company of which Mr Daly was director and against which the syndicate sought triple damages. In refusing the declaration, Mr Justice Staughton stated that the duty of an active underwriter was to conduct the syndicate's affairs in good faith and in the manner beneficial to the syndicate as a whole so that any disadvantage to some members had to be ignored in the interests of all.

Dowuona v John Lewis PLC (FT, June 19)

Although Mrs Dowuona had agreed with her employers that she would take one week's paid leave at the end of her maternity leave, they refused to take her back when she failed to return on the agreed date, after having previously received an extension of four weeks under section 47(3)(b) of the Employment Protection (Consolidation) Act 1978. Dismissing her contention that she had notionally returned to work at the end of her maternity leave and thereafter immediately departed on a week's holiday from which she did not return on the due date, the Court of Appeal stated that Mrs Dowuona had not been unfairly dismissed because she had not exercised her right to return to work in accordance with section 47, but sought to return at a date later than she was statutorily entitled to do. She also failed to give notice under section 47(1) of the day on which she proposed to return to work.

President of India v Davenport Marine Panama SA FT, June 23)

Under a charterparty from Baltimore to Madras, laytime was to count from 24 hours after receipt of notice of readiness, "vessel also having been entered at customs house ..." Section 30 and 31 of the Indian Customs Act 1962 required an entry inward application to be filed, after which a final entry would be granted by the customs. In allowing an appeal by the charterer from an award in favour of the owners, Mr Justice Webster said that it was accepted that the Act contemplated a two-stage customs procedure which involved delivery of an import manifest to customs before the arrival of the vessel, so that the 24-hour period ran from the time of entry at Custom House and not from an application for entry at the first procedural stage.

This digest of Trinity Term cases will continue tomorrow and concludes on Friday.

By Aviva Golden

Revised export credits likely from December

BY PETER MONTAGNON, WORLD TRADE EDITOR

REVISED arrangements for medium-term export credits look likely to come into force from December 1. That follows circulation to banks of final government proposals covering terms for subsidised finance to support capital-goods sales abroad.

Banks have until the end of this *month* to accept the proposals. They involve a cut in interest margins the banks receive on this type of business, and authorisation for the Export Credits Guarantee Department to refinance its existing medium-term export credit portfolio in the securities market.

Banks appear likely to consent to the changes, enabling them to come into force on schedule. The proposals are understood to incorporate most of the minor technical changes sought by the banks to the Government's previous plan circulated last month.

Formal acceptance should come at a meeting between the Government and banks involved in the export credit business, at the start of next month. That would be followed by establishment of working parties of bankers to sort out the legal complexity of refinancing ECGD's existing medium-term *portfolio*, worth more *than* £10bn. It should bring a bonanza of new-issue business to the Eurobond market.

It will end the controversy over export credits that has raged in the City for more than a year after the Government sought to cut the cost of subsidising export credits by reducing interest margins it pays to banks that provide the funds.

Under the new arrangements, the Government will achieve some cost savings by cutting margins on new business. Those are currently about 1 per cent, but from December a complex matrix of rates ranging up to ⅞ per cent is planned, with the individual rate determined by the currency of the loan, *its* size and maturity.

Those rates are much higher than the rates first proposed by the Government last year but it will make extra savings through the refinancing operation. Under *it*, the ECGD would set up a vehicle company *to buy back the loans from the* banks and refinance them in the securities market.

Throughout talks bankers have said a cut in return on export credits might make them unattractive to *lenders, leading* to wholesale withdrawal from such business. However, feeling in the City *now is* that the new proposals should create cost savings to the Government without provoking a lenders' rebellion.

Gould: urged Lord Young to intercede

Gould calls for halt to business rate plans

By Our Political Staff

LORD YOUNG, the Trade and Industry Secretary, was urged yesterday to intercede with Mr Nicholas Ridley, the Environment Secretary, *to halt* plans for a uniform business rate.

***Mr Bryan Gould*, Labour's shadow Trade and Industry Secretary, challenged Lord *Young to detail the effects on* jobs of the rates increases which, for many businesses, *are likely to result from the* proposed charge.**

In a letter to Lord Young, Mr Gould cited the Government's own figures, showing that companies' rates would rise by as much as 91 per cent in parts of inner London. He also referred to ministers' own warnings that high rates and industrial costs destroyed jobs.

Mr Gould suggested to Lord Young that, as the minister with the lead role in the Government's inner-city initiatives, *he should use his power* to make Mr Ridley reconsider the proposals.

***The Government* is proposing legislation to have a community charge for householders and a uniform business rate phased in over a four-year period in England from April 1990. The tax is being introduced in one stage in Scotland and Wales, although the four-year provisions relating to the business rate will also apply.**

Mr Gould said yesterday that, while the poll tax on individuals had dominated the headlines, the uniform *business rate* was *almost* as absurd. "Some businesses will find they face huge increases, while others make windfall savings. Some inner-city areas face particularly sharp increases," he said.

Fiat launches diesel Uno on UK market

By Kenneth Gooding, Motor Industry Correspondent

FIAT, the Italian automotive group, is to *provide* fresh *impetus to* the already expanding sales of diesel cars in the UK by launching a diesel version of its best-selling Uno this month.

Fiat expects to sell about 3,500 diesel Unos next year, roughly 10 per cent of total Uno sales in the UK.

The *price of* the Uno 60 DS is £6,541, including car tax and VAT, which is £44 less than its main competitor in Britain, the Lord Fiesta 1.6 LD.

Diesel car sales in the UK have lagged behind those in most other Western European countries, mainly because the British Government *has* followed a neutral *fuel* tax policy and not legislated in favour of diesel compared with petrol.

Even so, *diesel* car sales have jumped from 5,800, representing only 0.3 per cent of the *total new car market in 1980*, to 77,649, or 4.1 per cent, last year.

Diesel penetration has continued to *increase* this year, with 43,058 diesel cars sold *in* the UK by the *end of June*, 4.3 per cent of the total market.

Last year, the Ford Escort diesel *was the UK's best-selling* diesel car, with 9,529 registrations, ahead of the Peugeot 205 diesel's 8,684, the Citroen BX 8,238 and the Ford Fiesta 5,392.

The Uno 60 DS is based on the *five-door* Uno 60 S and is powered by a 1,697 cc, 60 bhp engine which Fiat developed for markets outside Italy.

Conoco and Elf Aquitaine disclose North Sea finds

BY LUCY KELLAWAY

TWO potentially *interesting* oil and *gas* discoveries were disclosed yesterday in what is turning into an unexpectedly good year for North Sea exploration.

Conoco said it had struck gas in the southern Gas Basin, some 100 miles off the Yorkshire coast, confirming the existence of a field which analysts said might contain about 500bn cu ft of gas.

The well on block 44/22 flowed at 28.6m *cu ft* of gas a day. Conoco said it was too *early to gauge the commercial* potential of the field, but further appraisal work would start soon.

Wood Mackenzie, the Edinburgh stockbroker, said yesterday the result was encouraging and was an indication of the potential of block 44.

Elf Aquitaine, the French oil company, also disclosed a discovery which *it said had* "interesting commercial potential" near the big Frigg field, which straddles the UK and the Norwegian sectors of the North Sea.

Elf said the well on block 25/5 flowed at 4,139 barrels of oil and 5.4m cu ft of gas a day, and that a second well was being *drilled* to appraise the field.

It said the economics of the discovery were improved by *its* closeness to the Frigg field, which is in decline, and has spare capacity to process oil and gas from nearby fields.

● Occidental Petroleum, the US oil company, has upgraded by more than 60 per cent the reserves of its Scapa field in the North Sea. After a study by *independent petroleum consultants*, the reserves of the field, which started production last year, have been increased by 25m barrels to 65m barrels.

Refinery gets £40m repair

BY LUCY KELLAWAY

BP OIL is to spend between £40m and £50m on repairing the damage to its Grangemouth refinery caused by a fire this year.

The company said yesterday *that work had started* on rebuilding the damaged hydrocracker, which converts low-grade fuels into lighter, more profitable products such as petrol. The unit would be finished in about 15 months.

The investment in the hydrocracker is in addition to a heavy programme of spending at the refinery, which BP said would make Grangemouth one of the best in Europe. The *programme includes a* £23m computer control system and a £15m demonstration plant to test a *new process* for using liquefied petroleum gas to produce high-octain petrol and chemicals.

Hugo Dixon on a society's decision to be a company representative

Why Abbey is going it alone

FROM NEXT year there will be two types of financial institutions in th ehigh street—those selling the life assurance and unit trust products of only one company and those giving independent advice *on* a range *of* products.

In the first category will be *the Abbey National Building* Society and all the leading clearing banks (with the possible exception of National Westminster Bank). In the second category will be all the other leading building societies apart from Abbey.

The division has been forced by a rule—aptly known as "polarisation"—devised by the Securities and Investments Board, the new financial ser*vices supervisory body. To* protect consumers, it requires any institution selling life assurance or unit trusts to become either an independent intermediary or a company representative.

Which is the odd man out—Abbey or the other societies?

The other societies have made their decision for the following reason. Under the terms of last year's Building *Societies Act*, they are not allowed to own a life or unit trust company (banks do not experience such a handicap) so the only way they could become a company representative would be by selling the products of a company not within their group.

However, *if* they did that, *they feel they would be letting* down their customers. As Woolwich said last month, selling the *products* of only one company would be "contrary to its mutual *status* whereby it offers the best advice possible to its members."

HOW INSTITUTIONS ARE POLARISING

Bank/Society	Decision
National Westminster	No decision
Barclays	Company representative
Lloyds	Company representative
Midland	Company representative
TSB	Company representative
Royal Bank of Scotland	Company representative
Halifax	Independent intermediary
Abbey National	Company representative
Nationwide	Independent intermediary
Woolwich	Independent intermediary
Alliance & Leicester	Independent intermediary

Abbey's justification for what it has done is based on an analysis that retailing financial *services* to the *mass market is* about having simple products and efficient distribution channels.

Mr Richard Baglin, Abbey's manager for business development, said that becoming an independent intermediary would mean that its staff would have to be trained to sell the whole range of products. There were also costs involved in communicating with a large number of life companies.

Abbey will still receive a similar commission for selling *the products of Friends* Provident, the large mutual life company, as it receives for selling a range of institutions' products. It has also cut a deal with Friends — the details of which neither will divulge — whereby any cost savings are split 50-50 between them.

At the same time, Abbey plans to use its position as the second largest retailer of insurance products (Halifax is number one) to co-operate with *Friends* in *designing products* that are suitable for its customers. As an independent in*termediary* it would not have been in the position to do that.

The products — life assurance, endowment mortgages, unit trusts and personal pensions — will be branded with the Abbey anme. Mr Baglin says he hopes that arrangements will lead to "enhanced benefits for the customers as well as enhanced earnings for the society."

The same distribution econo*mics splies to the clearers. The* main difference between them and societies is that all have in-house unit trust companies and many have their own life companies.

That has given them an added incentive to make their branches company representatives. Becoming independent intermediaries woud have severely inhibited their unit trust and life subsidiaries, as under SIB's rules an independent intermediary can sell its own products only in the rarest of circumstances.

The other side of the coin, however, is that by becoming company representatives, the banks are inhibiting the activities of their insurance broker subsidiaries. Those rely on the branches for the lion's share of their business, but branches that become independent intermediaries *will* not have a fre hand in passing on such business under SIB's rules.

Most of the clearers have decided that they stand to lose more by becoming *independent* intermediaries. The reason NatWest has been taking longer *to make up its mind* is that the calculation in its case is more evenly balanced. It owns a unit trust company but not a life company.

Both Abbey and the clearers that have decided on the company representative route have found ways of minimising the adverse impact by setting up alternative *channels* for giving customers advice. Under SIB's rules, a conglomerate can *polarise its branches in one* way and polarise another company in its group in another way. Barclays, Lloyds, Midland, TSB and Abbey are therefore planning to build on existing independent intermediaries

Chase Property buys City site

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE FIRST New Zealand-*backed offices development in* the City of London is to be at Bishopsgate, opposite Liverpool *Street* station and the massive Broadgate office complex.

Chase Property yesterday said *it* had bought the buildings from Grosvenor Square Properties, a subsidiary of Associated British Ports, for £20m, and that they would be redeveloped as 60,000 sq ft offices.

The company, formerly Wingate Property, was taken over in 1985 by Chase Corporation of New Zealand. Last year it widened its asset base by taking over Property Holding Investment Trust.

Chase's move on Bishopsgate follows an announcement that Equitable Life Assurance and Scottish Amicable Life Assurance have sold a property, hitherto leased by Alexander Howden, on Fenchurch Street in the east of the City, for *£20m*. The buyer is believed to be a German insurance group wanting the property for its own occupation.

First Bank of Boston is joining other US banks in moving westward. It is leaving offices on Cheapside, close to St Paul's Cathedral, and taking space in a development in Victoria owned by the Crown Estate Commissioners. It will pay rent of £28.50 a sq ft there, less than *in the central City where rents* have risen to nearly £60 a sq ft as financial service companies *chase space*.

A survey just completed by The Office Network, an international information exchange that monitors property in Europe, Canada and the US, put City rents at nearly three times those in Midtown Manhattan, New York, and at more than four times those in Frankfurt.

The *expansion* of the financial-services sector in the City has brought with it a sharp rise in property values. That was apparent in the Bishopsgate deal.

Grosvenor Properties started assembling the properties it sold to Chase about four eyars ago and, having obtained planning permission for redevelopment, has doubled its money.

Chase expects to have its re*development* on the market by the end of 1989, before, according to conventional wis*dom, equilibrium returns* to the City office supply-and-demand balance.

It said the Bishopsgate buildings, and a site on Farringdon Street bought from Liverpool Victoria Friendly Society for £6.75m, marked the start of a £130m City office programme.

Merseyside plans campaign to attract finance

By Hazel Duffy

BUSINESS LEADERS on Merseyside plan to bring ministers and businessmen together to try to attract developers and City finance to the area.

The Institute of Directors, which supports the campaign, *yesterday* decided to give the go-ahead to an in-depth survey of Merseyside companies after a private conference with Mr Norman Tebbit, Conservative Party chairman, and soundings among businessmen in the region.

About 150 companies will take part in the survey, which is being led by Mr Jim Clarke, chairman of the Clarke, Lee and Nightingale group, and chairman of the Merseyside branch of the institute.

In the course of the survey, *it* is hoped that Mrs Thatcher and some of her Cabinet ministers will address meetings of *institute members and other* business leaders in the region. Mrs Thatcher is due to visit inner cities next month, although her itinerary has not been revealed for security reasons.

Mr David Trippier, who has special responsibility for inner cities at the Environment Department, has agreed to take part.

Local business confidence is *believed to be growing*, and Mr Clarke hopes that the survey will paint a fairly optimistic picture which can be used to encourage outside investment on Merseyside and in Liverpool.

Developers battle for Tyneside site

BY PAUL CHEESERIGHT,

TYNE AND WEAR Development Corporation, as one of its first tasks, must choose between developers vying for approval to develop a 25-acre Newcastle quayside site close to the Tyne Bridge.

Shearwater Property, a subsidiary of Rosehaugh and already engaged in a waterfront development at Southampton, has joined forces with Stanley Miller Holdings, the north-east contractor, to form a joint venture company to "play a leading role in breath*ing life back into a* neglected part of the city."

Two other developers, Brookmount *and Laing*, are *also* seeking planning permission for the site, even before the develop*ment corporation has recruited* staff.

The development corporation was *established this year* by the Government, with similar bodies for Teesside, Trafford Park in Manchester and the Black Country near Birmingham, to promote urban renewal.

The interest among developers in land at Newcastle has *been mirrored in Derby, where* British Rail Property Board sought submissions from 50 companies *before* selecting William Davis, the Midlands group, to develop derelict rail sidings.

The Chaddesden sidings cover 60 acres on the eastern side of the Derby city centre.

Inverclyde makes fresh appeal for ideas

Hazel Duffy looks at a council's attempt to attract electronics jobs

LOCAL DEVELOPMENT agencies normally wait for people with ideas to come to them. The managers of the Inverclyde Initiative are adopting a different approach.

They are going out to a few people, within and outside the area covered by Inverclyde *Council, Scotland, who they* think can set up companies in the electronics sector. The financial package is arranged by the agency, with the principals putting in modest funds of their own. Details of the first company to be formed will be announced shortly.

The initative, set up in March 1985, works with the council's industrial development unit, the Inverclyde Enterprise Trust and a training trust to regenerate the area's economic base.

The initiative's new ventures unit is the latest example of intervention in an area desperately seeking to diversify its traditional industrial base. The population of the area—which includes Greenock and Gourock—has declined by 1 per cent a year since the late 1960s. The male unemployment rate is about 25 per cent.

The *failure* by *Trafalgar* House to secure a large Ministry of Defence order for its Scott *Lithgow shipyard substantially* increases the pressure on efforts to rejuvenate the area.

Even if the order had been won, it would have been no more than a stop-gap for a few months. The shipbuilding cranes dominating that part of the Clyde are mostly idle. There is no security for the *2,000* workers still employed at the Greenock yard and with *subcontractors*.

Sir Simpson Stevenson, the Inverclyde Provost, says: "*Somebody* has *to* have the decency to put Inverclyde on an equal footing with other parts of Scotland." With *local* industrialists and businessmen, he is campaigning for 55 acres of waterfront site—recently bought by the Inverclyde Initiative, mostly from Trafalgar House after a long battle—to be *declared* an enterprise zone by the Government.

They look enviously towards Clydebank, near Glasgow, where the closure of the Singer sewing machine factory in 1980 led *to an enterprise zone being set* up, and the start of a successful economic regeneration. "*Our site is being cleared now.* We could take over in 1991, when the Clydebank incentives run out," says Sir Simpson.

While the politicians pin their hopes on enterprise zone status, Mr Don Draffan, the initiative's head of area development, assembles projects, large and *small*, that are designed to improve the area. He has been seconded by the Scottish *Development Agency, which has* put £7.5m into the initiative since March 1985.

Unlike the SDA, the ventures set up by Inverclyde Council are portrayed as being private-*sector-led, with access to public* funds. Like the SDA, though, the initiative team has considerable powers in the assembly and preparation of land for development.

The biggest scheme for the construction of retail and leisure facilities on the waterfront has just been let to *Ravenstone Developments*, which will be working with the Argyll Group on the £22.5m project. The town centre is to be upgraded at a cost of £6m and linked by a covered walkway to the waterfront complex.

At the other end of the scale, it provides advice to businesses and budding entrepreneurs on the use of technology and *helps* to *secure funds from* Whitehall and Brussels to finance industrial expansion and *training. The emphasis is on* encouraging indigenous growth, the less risky alternative to pinning all the area's hopes on securing large-scale overseas investment.

The district scored two significant successes in the electronics sector by attracting IBM and National Semiconductor in *the 1970s*. Both plants are vital to the economic wellbeing of the area—between them they *employ more than shipbuilding* and associated manufacturing—and to the international manufacturing activities of the two groups.

However, in spite of the vote of confidence displayed in the area by their continued investment, other electronics companies have not followed. They have preferred Scotland's new towns.

The shortage of good sites between the *river* and *the hills* at the back of the towns has been one factor. That is slowly being rectified, and enterprise zone status might be vital in Inverclyde's *attempt* to attract inward investment at one of those sites.

House prices still rising

BY DINA MEDLAND

HOUSE PRICES continue to rise across the country, with regional activity differences less pronounced, *according to the* Royal Institution of Chartered Surveyors' latest quarterly survey.

Almost a third of the 187 agents polled throughout England and Wales reported increases in prices of 5 per cent on the previous quarter, while 44 per cent reported 2 per cent increases.

The survey was carried out before the recent increase in base rates, but the RICS believes that the subsequent stabilisation of mortgage rates is "likely to have little adverse effect on the market."

هكذا من الأصل

BAe wins study into road links to satellites

By Michael Donne, Aerospace Correspondent

BRITISH AEROSPACE'S Space and Communications division has won a £250,000 contract to study the feasibility of linking trucks, cars and other surface vehicles with satellite communications by the mid-1990s.

As part of the eight-month study, commissioned by the European Space Agency, Racal-Decca will investigate designs of mobile terminals and study the types of orbit that the satellites for such a service could use.

The ESA contract represents the start of a programme called Archimedes, aimed at providing all European land-based vehicle users with a range of satellite communication services by the mid-1990s.

The European mobile communications market is potentially large and as yet undeveloped. Organisations controlling commercial lorries, buses, service vehicles, police cars, fire engines and taxis will all benefit from instant communications.

That in turn will permit effective management of resources and improve business efficiency. For rescue services, the implications are even greater.

The type of orbital paths round the Earth to be used is vital. One of the most promising is the Soviet-named Molniya (lightning) path.

That orbit, so far unused by the West, in contrast to the Soviet Union, provides continuous coverage through a series of satellites which appear, in turn, directly overhead.

The Molniya path is elliptical, varying between 40,000 km above the Earth over the northern hemisphere and 500 km above the southern hemisphere.

A satellite using that path would appear to hover directly over northern latitudes for up to eight hours a day, making links possible with a relatively small and simple antenna that could be fitted easily to a vehicle's roof.

Another orbit to be studied is the Tundra path, which has a different angle of elevation and needs only two satellites.

Meticulous organisation is vital to UB's chief. Clay Harris reports

Sir Hector and the corporate crunch

SIR HECTOR LAING dislikes surprises. No one at United Biscuits can afford to lose sight of this cardinal principle.

Fiddling with a Filofax is not for Sir Hector. He has placed his life in the hands of three "nannies" who describe themselves as "the best personal servants in Britain."

Everything in the chairman's office at UB revolves around Sir Hector, for many years the public face of the food and restaurant group and increasingly a forthright voice on the role of business in the wider community.

His schedule is meticulously planned to reflect the careadian rhythms of corporate life—the daily routines, the meetings every week, the meetings every month—and juggled to accommodate the unusual.

Sir Hector Laing takes a personal overview of United Biscuits' activities

A steady stream of executives passes through Sir Hector's office. In most cases, the purpose is only to inform of decisions already made. "I'm here to support them, not to second-guess them," says the man who became a director of the family-owned McVitie & Price in 1947, managing director of UB on its creation in 1964 and chairman in 1972.

"All that time, within the business, I don't suppose I've written more than 10 memos or letters." His executives have learned as well to use word of mouth.

He hears the most recent sales figures both for biscuits and snack foods and from the company's Pizzaland and Wimpy restaurants. He hears about plans for China and Brazil, the beachheads for his plan to take UB into the developing world. He hears of plans to second staff to inner-city enterprise agencies.

Even though his family now owns only 7 per cent of UB shares, Sir Hector has grown no less paternal. He pays special attention to the terms offered to staff taking early retirement at the behest of UB, which is cutting head-office employment by a third.

He rings one of them to see if he is satisfied. (Of course he is.) "Nobody should be able to come back to us and say we hadn't treated him well." Anyone who leaves after 20 years or more of service has a drink with Sir Hector; 40 years earns a lunch with the chairman in the directors' dining room.

On one recent evening, in his London flat, he hosted drinks for a retiring regional official of one of the unions represented at the company.

Sir Hector visits each of UB's factories at least once a year. That involves at least 70 presentations, never to more than 200 people at a time. After taking questions, he then goes walkabout on each shift: "Everyone in this business knows me."

On these visits, he is accompanied by Miss Sue Stevens, his personal assistant for 12 years. On the shop floor, as in the office, she has to be ready for

BEHIND THE SCENES

anything: "It's like he's holding a roman candle in his hand, throwing off sparks about a million a minute. Some of them have to be caught before they hit the floor."

As well as being ringmaster to his circus, she writes most of his speeches and articles. "I know him so well," she says. "I really am on the same wavelength." She also sieves his post; Sir Hector sees only about two of the 20 letters that arrive each day.

If Sir Hector pleases those he meets by recalling the last encounter, thanks must go to Mrs Helen Tideman, his appointments secretary for four years. With the aid of a personal computer, she keeps Sir Hector's "people I have met" book.

She keeps the master diary, usually starting in October for the next year, although key meetings for 1988 have already been pencilled into the back of the current diary.

That is supplemented by two pocket diaries. He carries one, Mrs Tideman updates the other to exchange with him at the first opportunity. She clips a card into the front giving his daily schedule.

The trio is completed by Mrs Linda Reid, who attends only to Sir Hector's personal affairs, taking care of household business at his English and Scottish homes. On one recent day, she confirmed that the dishwasher had been delivered and arrangements had been made for it to be plumbed in. She handed over his pilot's licence in preparation for the next day's annual examination for his instrument rating.

With nearly half of Sir Hector's time now devoted to activities outside UB, the reach of his office must extend beyond the corporate headquarters in Isleworth, west London. The two mobile telephones in the chairman's blue Bentley have a lot of use.

Sir Hector is such an inveterate user of the telephone that one appears (along with a digestive biscuit and a small aircraft—another great love) on a mock coat of arms designed by an employee. He regularly writes "Dear George" letters, taking his complaints about services to the very top of British Telecom.

Each day he drives to UB from his home in Gerrards Cross, arriving about 7.20 am. Normally, he shares breakfast with Mr Robert Clarke, who took over as chief executive at the beginning of last year. When they are both in the office, breakfast may be the only time they see each other the entire day.

But often, Sir Hector has another breakfast engagement, for example, with fellow supporters of Business in the Community, which helps small businesses and other job-creation schemes. At one such recent breakfast, the Prince of Wales confirmed that a royal visit to Isleworth was on the cards for the autumn.

A director of Exxon, the US oil group, since 1984, Sir Hector is briefed before each month's board meeting by Sir Archibald Foster, chief executive of Esso UK. On his one-night stays in New York, Sir Hector attends to UB business as well, linking up with Mr Tom Garvin, chief executive of UB Foods US, the company that has grown out of the successful acquisition of Keebler in 1973.

His other principal commitment outside UB is the non-executive Court of the Bank of England, of which he has been a member since 1973.

With London becoming increasingly clogged with traffic, those who prepare the chairman's schedule have to allow sufficient time to ensure that Sir Hector's insistence on punctuality is always satisfied. Mr Stan Eavis, his driver for 14 years, says: "He starts to get agitated if he's not going to be there on time."

Ferguson to launch pocket-size colour TV

By David Thomas

FERGUSON, the UK television manufacturer, is launching what it claims to be the first pocket colour television in Britain.

It is Ferguson's first significant announcement since it was sold to Thomson of France by Thorn-EMI, the UK electronics group, last month.

Ferguson expects to name a new managing director this week to replace Mr Don McNaughton, who stayed with Thorn when Ferguson was sold.

Ferguson, the UK market leader, which claims 16 per cent of the colour television market, has developed the pocket colour television in conjunction with Seiko Epson, the Japanese electronics group.

It is Ferguson's first partnership with Seiko Epson, although the company has a long-established relationship with JVC of Japan.

M/C 28 8/8½

Seiko Epson has done most of the development work for the new machine, which will be made in Japan. However, Mr Peter Brice, Ferguson's commercial director, said the company might consider making the machines in the UK eventually if demand took off.

Ferguson believes its involvement with the two key technologies underlying the pocket television — LCD (liquid crystal display) and MIM (metal insulator metal) — will help with its work in applying those technologies to larger screens.

Ferguson believes it will appeal mainly to high-income consumers who want to watch television when travelling or away from home.

The company does not expect to be alone in the market for long. It believes that about 20,000 pocket colour sets will be sold by the end of next year in the UK. It hopes for 20-30 per cent of the market.

NO 15—8/8½

The Ferguson television, called PTV01 (pocket television), will be on sale from November for £249. It has a 6.6 cm (2.6 inch) screen and weighs 230 gm. It can be run from the mains, from a car battery or from its own batteries.

The pocket television market in Britain, which has been confined to black-and-white sets, has not taken off.

Fleming board changes

Mr R. P. de L. Cazenove has been appointed managing director of ROBERT FLEMING INSURANCE BROKERS, and Mr G. F. Tebbutt becomes a director. Mr R. W. Pearce and Mr G. F. Tebbutt have been made deputy chairman and managing director respectively of Robert Fleming Marine and Mr B. G. Wickham has been appointed a director. Robert Fleming Insurance Brokers has acquired a major interest in R. W. Holmes & Associates, a retail insurance broking company substantially owned by Mr R. W. Holmes and Mr H. C. Bowring. The name of the company has been changed to Robert Fleming Insurance Brokers (UK).

★

PROPERTY LEEDS (UK), estate agency subsidiary of Leeds Permanent Building Society, has formed its board, headed, as chairman, by Mr W. Leonard Hyde. He is joined by Mr P. A. F. Ashworth, Mr Harry Brompton and Mr Keith Barraclough, as non-executive directors. Mr Robert Lochhead, an assistant general manager of the Leeds, becomes managing director, and Mr Alan Rolfe, secretary. Mr Hyde and Mr Ashworth are directors of Leeds Permanent and Mr Brompton and Mr Barraclough are general managers.

★

Sir Austin Pearce, retiring chairman of British Aerospace, will join the board of SMITHS INDUSTRIES as a non-executive director from September 1. Sir Austin is also a vice-chairman of the Royal Bank of Scotland and a director of Pearl Assurance.

★

Following the acquisition by Brookville Securities of a controlling interest in J. JARVIS & SONS, Mr Harvey Bard and Mr Martin Renben have been appointed directors of Jarvis. Mr Bard becomes executive chairman, and Mr David Beety, former chairman, remains a director.

★

Mr Ken Horler joins WWAV COMPUTING, Bristol, as production director. He comes from DDM, where he was production manager.

★

Y. J. LOVELL (HOLDINGS) has appointed Mr Ray Groves as chairman of the construction division and as a holdings board director from October 1. He has been president of Y. J. Lovell (America) Inc for the past four years and will retain an active interest in the American operation as its deputy chairman, dividing his time between the US and the UK. As chairman of the construction division, Mr Groves will also assume chairmanship of the Lovell Group's individual construction companies from the same date.

ROCKWARE GROUP has appointed Mr Ken Stokes to the group board as an executive director. He will continue as chief executive of the Ken Stokes Group, recently acquired by the Rockware Group.

★

ROYAL TRUST BANK has promoted Mr Paul Brunning to senior manager with responsibility for commercial property finance.

★

Dr Pamela Gray, founder and chief executive of Sphinx, Maidenhead, has been re-elected to the board of the US-based international organisation of UNIX USERS. Dr Gray was first elected to the board in 1985 and last year was president of the group, the first European and the first woman to be elected to the post.

★

Dr John Hooper, chief executive, has left the CHARTERED INSTITUTE OF BUILDING. Mr Keith Banbury has assumed the responsibility of the chief executive pending the appointment of a successor.

★

CAMBRIDGE ELECTRONIC INDUSTRIES has appointed Mr Graham Peters as divisional managing director of specialist companies and also a member of the management committee. He was managing director of Salford Electrical Instruments, a GEC company.

★

Mr Brian Thomas, managing director of Donn Products (UK), has been elected president of the SUSPENDED CEILINGS ASSOCIATION.

★

Mr Ray Stephen has been appointed managing director of LEGEND CUSTOM DISPLAYS, a Sintrom subsidiary offering a dedicated custom LCD design and manufacturing service.

★

Mr A. G. Law, a director of Atkins Laboratories, has been appointed director and general manager of Acloque Testing Laboratories, a member of the ATKINS HOLDINGS group.

★

Mr Michael Hobbs has been appointed to the board of DATASURE, Southend, which specialises in the supply of computer hardware, software and services for insurance brokers and underwriters. He has been with the company since 1979 and become director, broking products. Mr Edward Hynes becomes client support manager for the company's principal broking product, Brokasure/M.

★

Mr Vince Christie, a director and chief engineer of SIR ROBERT McALPINE & SONS, has been made responsible for the company's quality assurance standards. This was previously carried out by Mr Peter Kershaw who has retired.

MANAGEMENT: Small business

Scandinavian Balloons

How lofty ambitions were hampered by feet of clay

Sara Webb on the effects of bureaucratic intervention on a Stockholm venture

FOR SCANDINAVIAN balloons, a small hot-air balloon company, actually getting airborne was not difficult, though it involved a considerable amount of groundwork.

However, bureaucracy and red tape—the scourge of small businesses in so many companies throughout Europe and elsewhere—have created bumpy operational conditions for this Stockholm-based business. It is little comfort to the company that the difficulties it has faced are much the same as the main problems generally cited by new companies in Sweden.

The company started in 1979 with two balloons which provided commercial advertising up in the sky for Swedish companies. Its growth since then has been such that it now flies 13 balloons for both advertising and tourist trips above Stockholm. Last year, turnover reached SKr 2m ($300,000) and gave a profit (after financial items) of about SKr 300,000.

Scandinavian Balloons started to become something of a tourist attraction in 1985 when, with the help of the Swedish tourist association, it began to promote hour-long flights over Stockholm. Tourists are picked up in town, driven out to the launching site, flown for an hour (or more, depending on the wind conditions), and then given a champagne "baptism" once they land.

It was the champagne baptism which seemed to present an expensive stumbling block because, under Swedish rules, champagne (like wine, but unlike beer) does not count as a tax-deductible expense.

Stefan Hansson, one of the *four owners* and pilots at the company, says: "The balloon trip is meant to be a special occasion and we wanted to offer something special, so we couldn't offer beer. It really had to be champagne. We needed to get a permit to serve champagne, but then the *County Government Board*, which gives out alcohol permits, asked if it could inspect our kitchen and of course you cannot have a kitchen on a balloon."

No kitchens, no permit. So the company decided it would have to pay tax on its alcohol.

Stockholm is one of the few capital cities which balloonists can fly over.

But another obstacle arose because aerial photographs are not allowed to be taken except from a commercial airline. A balloon does not count as such.

"This is quite a problem because obviously tourists like to take photos from the balloon. We have to tell them not to, and in one case, we even had to take the film out of a man's camera so we would not get into trouble," says Hansson.

On the other hand, the situation seems to be different if a commercial photographer wishes to take pictures from the balloon. In that case, the Swedish authorities say all film must be checked by the Defence Staff in case it contains military secrets.

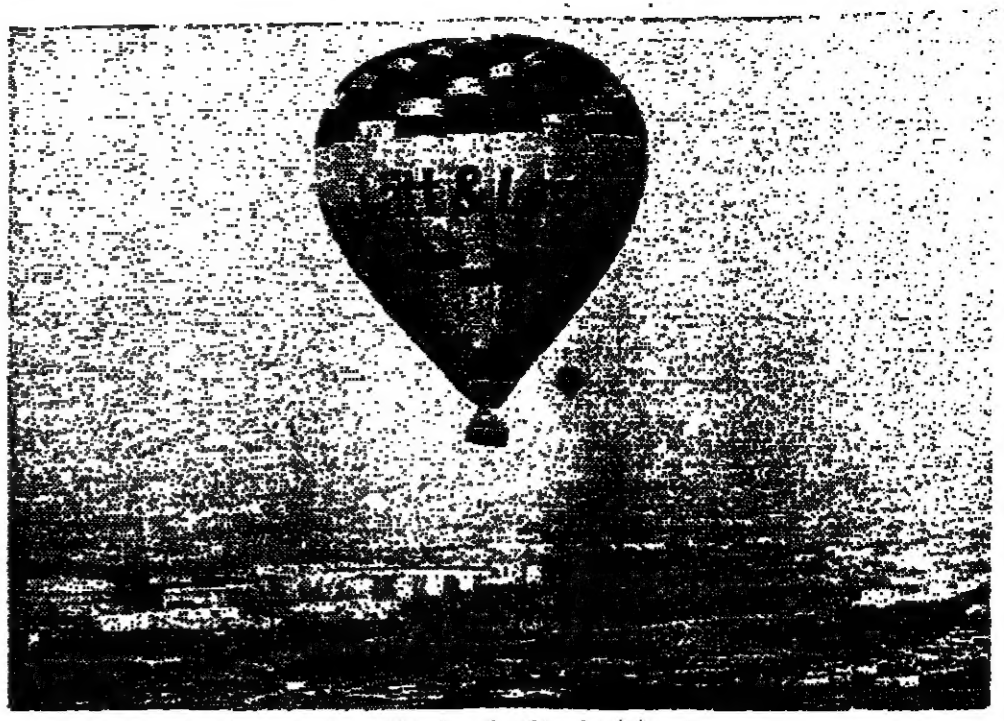
A further problem arose when it turned out that the company required a special licence for a trailer strong *enough to transport* the balloons. "Unfortunately, the authorities are not very flexible here," says Hansson. In the end the balloon company managed to adapt the trailer so that it could be used with a normal driving licence.

It took about six months to obtain permission from the air traffic authorities to fly passengers, though for the moment, it only has a temporary permit because the authorities are looking at the question of how to handle this relatively new form of business in future.

The weather posed a less soluble problem. Thomas Blockstrand, another of the pilots and owners, examined recent meterological records and found that, in theory, it should be possible to fly 80 per cent of the time. In practice, that is not the case. After the particularly severe winter of 1986-87, the company vowed not to try passenger flights in the winter again as it proved uneconomical; insurance costs outstripped income from passengers.

Small businesses in Sweden frequently complain about the tax conditions within which they have to operate because they have to calculate at the start of the year how much they expect to earn, then work out how much tax to pay in instalments throughout the year, and then, at the end of the year, assess how much they have actually earned in order to check whether the amount of tax already paid is correct.

"The problem for us is we really have no idea how much we will earn each year because it depends on the weather and how many tourists or new advertising clients we have," says Blockstrand.



An appropriate vehicle for advertising light margarine

The company spent about SKr 30,000 in setting up. Its expansion has been such that, this year, it has had to invest about SKr 1m in new equipment, including two new balloons, computers, trailers, cars and back-up staff. The two original founders raised the start-up money with a combination of personal savings, bank *loans and backing from* a couple of advertisers.

They decided not to seek government development funds because "we didn't fit in with their categories—they tend to favour small companies which create new jobs in northern Sweden and we did not expect to employ a large staff," says Hansson. Apart from the four owners (who are also the pilots), the company now employs six part-time staff, chiefly to help on the administrative side.

Demand has grown rapidly. Last year, Scandinavian Balloons expected to carry 400-500 *passengers, but eventally* took 2,000. On the advertising front, the company has won business from Q8, Ericsson, IBM, Nissan, Volvo, Stor & Liten (a toy shop chain), Latt & Lagom, a margarine brand, and the Post Office.

Marita Bohlin, who handles the advertising contacts at the Post Office, says that this form of advertising is particularly attractive because "many people notice the balloons and read the message, and right now it is a new way of advertising for us".

The novelty factor is clearly important for advertisers, and *on a clear summer evening, the* sight of the multi-coloured balloons skimming the skyline is enough to turn a good few heads.

High tech register

VENTURE capitalists will have the opportunity to call on expert opinion before making an investment as a result of an initiative by a recruitment company to set up a specialist register.

The register is made up of specialists employed in electronics who are *available* to act as consultants. They cover disciplines of design, manufacture, marketing and applications in both the technical and commercial sectors of semiconductors, communications, computing and CAD/*CAM industries.*

Kramer Westfield International has launched the register, which currently has 20 names on it. It specialises in recruitment for high technology companies and says it has *detected* concern among venture capitalists that the failure rate of business is unacceptably high and that people may as a result be discouraged from risking their capital.

Humphrey Battock, director of Charterhouse Venture Fund, believes the initiative "should help to obtain a better assessment of the technologies involved in deals and thus mitigate the already high-risk nature of the business."

Long hours, two jobs, more prosperity

Simon Holberton explains the result of Hungary's highly developed private enterprise society

ANY VISITOR to Budapest cannot fail to be struck by the difference between the Hungary he sees and his received image of Eastern Europe. The shops are full of consumer goods, and the markets abundant with an astounding variety of vegetables, fruit and meat.

The variety exhibited in the Hungarian consumer market has made Budapest a favourite holiday destination for many East Europeans. But what makes the country a consumer paradise for its fraternal partners in the Communist bloc has little to do with the perfection of the socialist mode of production. It is almost wholly the result of the country's entrepreneurial small business sector.

Although it is a nominally Socialist country, Hungary is unique in Eastern Europe for the level of private economic activity it permits its citizens. *This is not simply a case of* turning a blind eye to private enterprise, but stems from a realisation by the ruling Hungarian Socialist Workers Party as far back as 1968 that the allowance of private economic activity was one way of ensuring political stability and promoting a higher level of economic prosperity.

Today, private economic activity in Hungary—generally conducted by people in groups of less than 20—is responsible for more than a third of agricultural output, more than half of the output of service industries, and about 80 per cent of housing construction. In all about one third of Hungary's national income is generated through *private, or quasi-private, economic* activity.

According to official statistics, at the end of 1986 there were 5,083 enterprises (large corporate entities), 1,160 small-scale enterprises, 800 small co-operatives, and 35,367 "other-type" associations. In addition there are "small undertakings"—a category which embraces 146,000 self-employed craftsmen and 26,000 tradesmen.

In the agricultural sector, private farms (mostly garden plots) produce much of the country's fruit and vegetables. These part-time farmers are also active in animal husbandry, especially pigs and rabbits. In industry, private work is conducted at the periphery of manufacturing, such as in the maintenance of machinery and the cleaning of offices.

It is in service and construction industries where private activity burgeons. Since the growth of legal private enterprise in the early 1980s, private shops and restaurants have expanded rapidly. A private construction industry has grown to service the demand by Hungarians *for private housing,* including holiday houses.

But this growth of the private sector has not come without cost. Hungarians are thought to work the most hours in Europe, East or West. Aside from the normal 40-hour week, most have second, and sometimes third jobs. Although no official figures exist, it is thought by many economists that Hungarians work between *16 and 18 hours a day—a state* of affairs which has led Hungary to have the highest suicide rate in the world and one of the highest incidences of divorce.

It is not uncommon for a *factory* worker to start his regular job at 6 am, finish at 2 pm and then change his overalls and join a work group (an "other-type association") to conduct maintenance on the machinery he has been using, or clean the offices at his factory.

Others will go and work in the construction industry, drive a taxi, or farm a privately-owned family plot growing vegetables, fruit, or keeping poultry or pigs. And there are real economic imperatives for this burgeoning of supplementary economic activity. At average official wages in Budapest it would take a worker 17 years to buy a flat of 60 sq metres.

Although private enterprise in Hungary has been able to deliver a higher standard of living than in most other Eastern Bloc countries the Government believes that much of the energies being diverted into private work are being done so to the cost of workers' main jobs in state-run indsutries.

Yet for all this the Communist authorities in Hungary are coming under increasing pressure further to liberalise the labour market and make more reforms to the country's economic structure. Some radical economists believe that Hungary's economic problems will be solved only by more private enterprise.

These officials and economists have called for the privatisation of many of Hungary's profitable big companies and the withdrawal of budgetary subsidies from inefficient industry. For them the success of many small ventures is proof that the *market offers a better distribu*tion of resources and wealth than does the current Party-directed and bureaucratically administered economic structure. It will also be able to absorb some of the unemployment caused by necessary structural change.

Training in Colchester

A BUSINESS Enterprise Programme designed to train self-employed people and those aiming to start up their own business is to be run in the Colchester area in September following a successful pilot scheme.

The programme, sponsored by the Manpower Services Commission, lasts for three separate two-day sessions, together with two evening sessions. It begins on September 16 and 17 at the Business and Commerce and Industry Fellowship offices in Colchester.

The programme is free. Further details from Colchester and local Jobcentres and Enterprise Agencies, or the programme secretary on Chelmsford 350595, Colchester 561700 or Freefone BCIF.

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THE ARTS

Galleries/Mary Rose Beaumont

Saatchi Collection enriches the Edinburgh scene

The Royal Scottish Academy has never looked so good. The walls of its spacious, top-lit rooms have been clad with white - painted hardboard, against which are hung some of the highlights of the Saatchi Collection. The exhibition is entitled *Art Of Our Time*, which in fact covers some 25 years. One of the earliest is Howard Hodgkin's absurd portrait of "Mr and Mrs Robin Denny," 1960, in which Mr Denny is shown full-face with round red eyes as large as saucers while Mrs Denny fades into the schematised blue and white sail-shaped background; the most recent is Richard Wilson's 1987 installation, of which more later.

When the Saatchis first started collecting in 1970 the emphasis was firmly on American painting, and to begin with on Minimal and Conceptual art. This was later extended to include Pop art. The collection now has an extensive holding of works by Andy Warhol, of which four crucial canvases from the early 1960s are exhibited: "Marilyn x 100" shows Monroe silkscreened and clumsily overpainted, 50 times in colour and 50 times in black and white, a reference perhaps to the contrast between her colour and black-and-white films.

The other icon of our time, Elvis Presley, is represented in triplicate as a Western gunslinger. Also included are two of Warhol's "disaster" pictures, one of a particularly gruesome car crash, and of the electric chair, repeated 15 times, which is, despite its repellent subject, an elegant and unforgettable image. Superficially different, but in fact not so far removed in spirit from the mechanically reproduced photographs of Warhol, are the cool, uninflected surfaces of Brice Marden's monochrome encaustic panels. They too are icons in the sense that they induce a meditative mood.

Of the so-called neo-Expressionists, Julian Schnabel is the chief American protagonist. He constructs huge, macho paintings with imagery so aggressive that it hits you like a blow between the eyes. Schnabel is impossible to ignore: you can hardly pass by a picture that, besides the oil paint, sports several sets of antlers on a piebald pony skin support, especially if it is entitled "Pre History: Glory, Honor, Privilege and Poverty." What connection the title has with the confused imagery is another matter. More visually comprehensible is "The Sea," made of oil and crockery on wood. Bits of shattered amphorae tossing about on a turbulent expanse of blue actually do resemble a choppy day at sea. A propped-up piece of charred driftwood completes the picture.

R. B. Kitaj's portrait of David Hockney: "The Neo-Cubist"

Anselm Kiefer, the poetic painter of Germany's history, myths and legends, is a powerful presence here. His paintings mourn his country's misfortune in being the battleground of Europe over the centuries, represented by the burnt straw stubble glued to the surface of the canvas. He does however offer a note of hope—the winged palette which rises above the scorched earth indicates his faith in the triumph of art. Kiefer also concerns himself with the Holocaust by means of metaphor. His paintings of the golden-haired Margarete, the archetypal Aryan, and the ashen-haired Sulamith, the beloved in the Song of Solomon, are a lament for the gap left in German culture by the extermination of the Jews.

Comparatively recently the Saatchis started to acquire British artists for their collection, concentrating chiefly on the School of London, a name coined by R. B. Kitaj to describe those artists who are dedicated to painting the figure. Kitaj shows here three new paintings, the most spectacular of which is a portrait of David Hockney entitled "The Neo-Cubist" begun in 1976 and completed this year. It gently teases Hockney's preoccupation with Cubism, depicting him as a mass of complex planes, with the exception of his head, which is a realistic portrait, owlish glasses and all. He is set in an ovoid shape, as if emerging from an egg, surrounded by the lush vegetation of his adopted California.

"An Agreement" by David Salle, 1984

Frank Auerbach and Leon Kossoff are the two other artists belonging to the School of London, represented here by major groups of paintings. Malcolm Morley is harder to pin down. Born in Britain, he left for America where he pioneered smooth photo-realist Pop paintings. Ironically, he returned to England to claim the first Turner prize with his splashy, disjointed, expressionist paintings. Both styles are on view.

The whole of one room in the basement is engulfed by an installation consisting of sump oil, steel and wood by Richard Wilson. First seen at Matt's Gallery in London earlier this year, it was bought by Mr Saatchi with a view to exhibiting it in Edinburgh. All that Mr Saatchi was able to buy was the idea. The only part of the original installation is a tap; the rest had to be recreated from scratch. A metal walkway allows the viewer to penetrate half way into the room where he is surrounded by a sea of oil magically reflecting the surrounding architecture. It it an exercise in trompe l'oeil which succeeds marvellously because it forces the spectator to suspend belief, even after he has dipped a finger into the glassy surface and ruefully discovered its true nature.

★

David Salle is having a one-man show at the Fruitmarket Gallery, which is pleasingly complementary to that at the RSA. Salle is a painter of conundrums; every picture does not tell a story. One is positively hampered by the titles, which bear no relation to what one sees. A diptych, the lower half of which depicts a provocatively-posed naked woman scored across with a piece of cheap fabric, the upper half consisting of a wooden panel implanted with painted dowels, is entitled "The Disappearance of the Booming Voice," which is distinctly unhelpful.

It is easy to object to Salle's exploitation of the female nude, woman as sex object, but just as one is getting hot under the collar he diffuses the situation with a visual pun. He is a prankster, knowingly juxtaposing images from art history with photographs from pulp magazines; he imposes figures on inapposite grounds, and even collages a stuffed duck's head on to a canvas. If Johns and Rauschenberg, clearly his forebears, were neo-Dada, Salle is neo-neo-Dada.

Gulbenkian Foundation backs jazz

The Calouste Gulbenkian Foundation in Lisbon is staging a series of jazz concerts during August. Tomorrow and Thursday Norwegian saxophonist Jan Garbarek will perform with his quartet and the series ends on August 25 and 26 with the Art Ensemble of Chicago. All concerts will be held in The Foundation's headquarters on the Avenida de Berna in Lisbon.

The English Concert/Albert Hall

Richard Fairman

In the last couple of years there seems to have been an increasing willingness among ensembles that play on original instruments to broaden their sights and make use of singers who come from a more traditional opera or concert background — a welcome move, since the human voice is the only musical instrument for which a truly authentic model will never be found.

For Sunday night's Prom the English Concert under Trevor Pinnock were joined by the American soprano Arleen Auger, who is just as likely to be heard in Mozart or Mahler as the orchestra's favoured baroque repertoire. Her versatility, though, goes beyond the range of the music she sings: this voice, at once light and agile, sensuous and potentially dramatic, is chameleon-like in its ability to fit in with whatever surroundings may be prevalant at the time.

In the company of Pinnock and his musicians her singing duly assumed its most refined colours. Although Handel's cantata *Crudel tiranno Amor* is not one of his more dramatic solo pieces, it would be interesting to see what a robust Handelian like Janet Baker might make of it in front of a packed Prom audience. Auger can certainly muster the same kind of punchy attack (we know that from her memorable Spitalfields *Alcina*) but here she let it make way for an altogether more pure and subtle style.

The pleasures of the performance, as in that of the motet *Silete venti*, came from the simple beauty of the singing and its understated musicianship. The tone was soft and dreamy, added ornaments were modest, and nothing could have been more affecting than the way Auger leant gently into the appoggiaturas in the central section of the cantata, as though nudging the music to yield up just one extra ounce of expression.

It was all perfectly in keeping with the tone set for the evening by the English Concert, who have long seemed to me the most fastidious of the English groups working with original instruments. Their performances of the Third and Fourth Bach Suites ran true to form: marvellously airy in textures and nimble in the dance movements. It only seems a shame that there was barely a real *forte* all evening. The vast spaces of the Albert Hall can swallow up a small orchestra like this quite voraciously.

Obituary/Peter Schidlof

The death at the weekend of Peter Schidlof, violist with the Amadeus Quartet, not only robs British musical life of its most distinguished exponent and teacher of the instrument, but also finally sunders an association that had remained at the forefront of world chamber music for almost 40 years.

Schidlof was born in Vienna in 1922; he arrived in Britain as a refugee from Nazi persecution just before the outbreak of World War II. During hostilities he was interned, and it was in confinement that he met the violinists Norbert Brainin and Siegmund Nissel. Schidlof was also a violinist at that time, but when after 1945 the three musicians decided to form a string quartet, he moved down to the viola, and the British cellist Martin Lovett joined them.

The Amadeus Quartet made its debut at the Wigmore Hall in 1948; it was soon regarded as the leading quartet in Britain, and during the 1950s and '60s reached a peak of ensemble playing that few other groups in the world could approach.

Schidlof's contribution to that achievement cannot be underestimated. He appeared also as a concerto soloist (in Walton's Viola Concerto and, unforgettably, with Brainin in Mozart's *Sinfonia Concertante*), in which his limpid, unselfconscious tone and effortless phrasing were displayed; in the quartet he provided the perfect foil to Brainin's profound sensitivity.

In writing an obituary of Schidlof one is conscious also of bidding farewell to a quartet whose legacy of performances — in Haydn, Mozart and Schubert especially — will be hard to match.

A.C.

Modern music at the Salzburg Festival

David Murray reviews Schoenberg's opera 'Moses und Aron', produced by Jean-Pierre Ponnelle and staged in the imposing space of the Felsenreitschule carved out of a cliff-face

The Salzburg Festival championed old Richard Strauss when he was no longer modern. That has long seemed to sum up—and even to exhaust—Salzburg's commitment to new music; they didn't, after all, like Mozart much when he was young. The occasional Festival commissions in the past 30 years have felt like chilly, duty-conscious handshakes. This year the Festival has been braver, or anyhow luckier. Its ration of modern music boasts a production of Schoenberg's opera *Moses und Aron*, by Jean-Pierre Ponnelle in his best and most serious form, which does inspired justice to that difficult work.

Each year one or two Festival productions are staged in the imposing space of the Felsenreitschule — the historic "rocky riding school" carved out of a cliff-face, complete with pillared arcades as backdrop, and stonily resistant to scenic disguise. Some operas are shoehorned into it without conviction; others fit more easily (Verdi's convents and Beethoven's prison-cells are natural choices), but the ultimate effect depends upon the producer's imaginative use of what's monumentally given. If he has to fake up mere foreground décor for the action, it looks phoney; if he uses the real rocky sweep — like Ponnelle — he may achieve something unique and inimitable.

Schoenberg's unfinished opera takes Moses from his encounter with the Voice from the Burning Bush to the fervent march of his people toward the Promised Land, which he is fated not to complete with them. His monotheist vision is essential, but it can't be captured in popular images; it needs Aaron's less scrupulous propaganda to make it work, to move the Israelites to cast off their enslavement and brave a Red Sea crossing. Aaron translates Moses' austere message into conjuror's "miracles" and rousing uplift. That works, but is it a ruinous compromise? Is Moses' revelation degraded into pictures and slogans? Act 2 ends (Act 3 exists only as a bare text in which Moses loftily denounces Aaron, and Ponnelle sets it aside) with the Israelites in triumphant flight, and Moses anguishing over his failure to make himself understood.

Ponnelle's version is like neither the first abstract West Berlin realisation 28 years ago, nor Peter Hall's richly surface-naturalist staging in the 1970s. Here, even before the music begins, we are in a Middle European ghetto-cemetery which Nazi soldiers come to break up (the arcades are furnished with sacred scrolls and giant learned texts). The timid but undaunted Jews wear yarmulkas and long Sabbath overcoats throughout, Aaron too; Moses alone appears in Old Testament robes, locks and beard. A giant seven-branched *menorah* candelabrum holds centre-stage, fractured by the Nazis.

Thus the entire action is presented as an inquiry into what Jews are, what sustains them. The eager crowd of Schoenberg's story—the choral role is tremendous—are modern Jews re-enacting their own history, veering between Moses' severe piety and Aaron's readiness to trade upon tribal solidarity. Ponnelle secures epic clarity for all this. The famous Golden Calf orgy is handled more as a spectacle of mass "possession" than indecency—nothing there to dismay Salzburg's sensitive Archbishop!—though the four sacrificial virgins sing their rapt hymn while suspended upside-down. The Calf itself is formed by gilded bodies clinging to the twisted *menorah*.

Theo Adam speaks the role of Moses with powerful authority, and Philip Langridge's Aaron — dapper, oily, ingratiating but sincere — is a virtuoso study. Their simultaneous utterances, halting speech against mellifluous song, are marvellously telling. All the cast are dedicatedly musical, and James Levine and the Vienna Philharmonic unfold the score with precision.

Another noted exponent of *Moses und Aron*, Michael Gielen, appeared in the Felsenreitschule with the Austrian Radio Symphony in a concert devoted to Luigi Nono and the late Bruno Maderna. The intimate polyphony of Maderna's *Aura*, a tangle of soft, elegiac orchestral voices, faded a little in the huge space. The extended "fragments" from Nono's *Al gran sole carico d'amore*, with an even larger orchestra, chorus, a half dozen soloists and multi-track tape, had an expansive theatrical grip. One had to be impressed: if Nono's musical means are slighter than his pretensions, he is still a dab hand at revolutionary frescoes.

I passed up the revival of Strauss's *Capriccio* with Lucia Popp in favour of the Kronos Quartet's Schoenberg 4th and Kurtág's *Mikroludien* — but they decided, without prior announcement, to play neither. Instead they offered 25 vapidly ethnic minutes of Kevin Volans, and 35 of amiable, undemanding Terry Riley (*Conquest of the War Demons*). Their Bartók 3rd was sympathetic but under-incisive, their Shostakovich 12th unforgivably trivialised and ignorant: neither performance would have taken them beyond the quarter-finals of a decent competition.

Theo Adam as Moses

Arts Guide

August 14-20

Music

LONDON

Facade with members of the London Sinfonietta and Pamela Hunter as Edith Sitwell, conducted by Paul Daniel. Queen Elizabeth Hall (Mon). (928 3191).

London Mozart Players conducted by Jane Glover with Stephen Hough, piano. Milhaud, Schubert, Mozart and Aaron Copland. Royal Albert Hall (Mon). (589 8212).

BBC Symphony Orchestra conducted by Gennady Rozhdestvensky with Rodney Friend, violin. Tchaikovsky, Prokofiev and Shostakovich. Royal Albert Hall (Tue).

BBC Scottish Symphony Orchestra conducted by Jerzy Maksymiuk with Boris Belkin, violin. Schubert, Mozart and Stravinsky. Royal Albert Hall (Wed).

Chamber Orchestra of Europe conducted by Claudio Abbado with Maria Ewing, soprano and Philip Langridge, tenor. Rossini, Stravinsky and Mendelssohn. Royal Albert Hall (Thur).

NETHERLANDS

Amsterdam, Concertgebouw. The Amsterdam Bach Soloists with the Amsterdam Kantorij and Ruud van der Meer, Baritone: Bach cantatas (Tue). The Radio Philharmonic Orchestra conducted by Hans Vonk: Richard Strauss, Sessions (Thur). (71 83 45).

Amsterdam, Oude Kerk (Oude Kerksplein). Organ recital by Peter Zwart (Wed).

Amsterdam, Nieuwe Kerk (Dam Square). Organ recital by Theo Teunissen (Thur).

PARIS

Camera Musica Mosana conducted by Jean Wolfs: Schutz (Mon 8.30pm) Saint-Severin Church

Pascal le Corre, piano: One hour with Villa-Lobos (Tue 7pm). Auditorium des Halles.

Orchestre National d'Ile de France conducted by Alain Paris, Anne Queffelec, piano: Ravel, Roussel (Thur 7pm) Radio France, Grand Auditorium.

All the above are part of the Paris Festival Estival (480 49801).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Pinchas Zukerman violin, Marc Neikrug piano recital. All-Mozart programme (Mon); Mostly Mozart Festival Orchestra. Gerard Schwarz conducting, Katia and Marielle Labeque piano, Matt Haimovitz, cello. Haydn, Mozart, Boccerini, Brahms (Tue, Wed); Ax-Kim-Ma Trio. Beethoven, Dvorak, Mendelssohn (Thur). Lincoln Center (874 2424).

Tanglewood: Boston Symphony. Seiji Ozawa, Leon Fleisher, John Williams conductors. Verdi, Beethoven, Gershwin/Bennett, Tchaikovsky (Tue); Emanuel Ax piano, Young Uck Kim violin, Yo-Yo Ma. cello. All-Dvorak programme (Wed). Lenox, Mass. (413 637 1666)

CHICAGO

Ravinia Festival: Pat Metheny Group jazz concert (Tue). Highland Park (728 4642)

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

WEST GERMANY

Kassel: Museum Fridericanum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

PARIS

The Painter in Front of his Mirror: A collection of 222 self-portraits from the 16th to the 20th century shows the infinite variety of ways in which an artist regards himself. From a painstaking likeness to a self representation under the traits of a mefisto or the devil, from thickly laid brushstrokes to the lightest of lines, painters draw their own image for friends - or for posterity. Louvre des Antiquaires, 2 Place Palais Royal. (429 72700) Ends Sept. 5.

ITALY

Venice: Palazzo Grassi: Jean Tinguely: 1954–1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture. Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

Rome: Palazzo Braschi (Piazza San Pantaleo 1): Carlo Carra' (1881–1966): Over 200 works by one of the most lyrical of Italian contemporary painters, many with clear echoes of those artists known to have influenced him, such as Giotto and Piero Della Francesca. Neatly divided into sections corresponding to his futurist, metaphysical and Realismo Magico periods. Ends Sept 16.

NETHERLANDS

Overholland Museum (Museumplein 4). Roy Lichtenstein retrospective, with 275 drawings from 1961 to 1986, including preparatory gouache and collage studies for murals. Ends Sept. 13.

SPAIN

Madrid, Fernando Botero. Colombian painter whose imaginative world is a poetic distortion of reality. 100 works on loan by private collectors, museums and artist's funds. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 6.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 55 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.

CHICAGO

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

TOKYO

Images of Gods: This exhibition of masks and totem figures from Africa, Oceania, Asia and the Americas commemorates the 10th anniversary of Osaka's National Museum of Ethnology. The 200 objects include rare items from Oceania (from Britain's George Brown Collection) along with elegant and modernistic designs from Africa and Australia. Suntory Museum of Art, near the New Otani and Akasaka Prince Hotels Akasaka Mitsuke. This is a cosy museum offering both a tea ceremony room and spectacular views over the city. Ends August 30th. Closed Mondays.

Bunjin-ga Literati Painting. This exhibition of Chinese-inspired landscapes by Japanese artists of the Edo Period (1600–1868) includes works by the renowned Uragami Gyokudo of the Nanga, or Southern School of Chinese painting. Literati painters were enthusiastic amateurs who worked in ink and paper - the Academy professionals worked in silk and mineral colours. Their most typical subjects were the rustic scholar-recluse poetic scenes of mountains and Zen-inspired landscapes of the mind. Idemitsu Museum Hibiya, above the Imperial Hotel and near Ginza and main hotels. Ends Aug. 23. Closed Mondays.

Arturo Sandoval/Ronnie Scott's

Kevin Henriques

There are just two weeks remaining in which to hear and — almost as important — to see the phenomenal Cuban trumpeter Arturo Sandoval at Ronnie Scott's. Sandoval first came to international notice in the late 1970s when he toured with the Cuba-based band Irakere (due back at Scott's in October, incidentally). Now as a solo performer with his own group (a belting five-piece rhythm section), he has free rein to showcase his astonishing technique. And this he does in two nightly sets of ear-grabbing music of a widely diverse variety: some of it is jazz, some raucous funk, fusion or pop, some even from the world of night clubs.

Sandoval is a vibrant, flamboyant personality and his trumpet style mirrors his character. His speciality is sustained high note playing, recalling from three decades past the Canadian Maynard Ferguson. He starts in the upper register of his silver trumpet and eventually reaches parts no other trumpeter (even Ferguson) has attained. His attack, precision and execution are faultless, his confidence boundless.

His consummate ability to present a style of music which like himself, is best described as eclectic, is beyond question.

Sandoval deals in exciting fun music: no label can be pinned firmly on it. However his forceful, rhythm section with its harsh-sounding, pop-style guitarist and keyboards player, nimbly extracting the requisite sounds to match every colour of the Sandoval rainbow, place him somewhat out of the genuine jazz field.

Most of the programme seems to be carefully worked-out set pieces, including a number on which he plays passable piano, visually evoking Chico Marx, and indulges in genial musical byplay with his bassist. Then he produces a four-valve piccolo trumpet and dashes off a piece of baroque by J. S. Bach.

Altogether he can be termed a one-off musical freak. No one else in jazz or jazz-related music can match his irrepressible virtuosity. Yet Sandoval seems to be a prisoner of his technique. Even when he lessens the furious pace and mercifully plays a slow blues he cannot resist reaching for the stratosphere or else indulging in flashy gurgles and bottom-of-the-register burps.

He uses this prodigious technique to play music which, to judge by the ecstatic reception last Friday, satisfies many, many people. Yet I think it strange and disappointing that a Cuban-born musician should play little or no tunes from his own country's rich heritage. In fact on Friday a samba (played as a rehearsed encore) was the only truly Latin American number heard all night.

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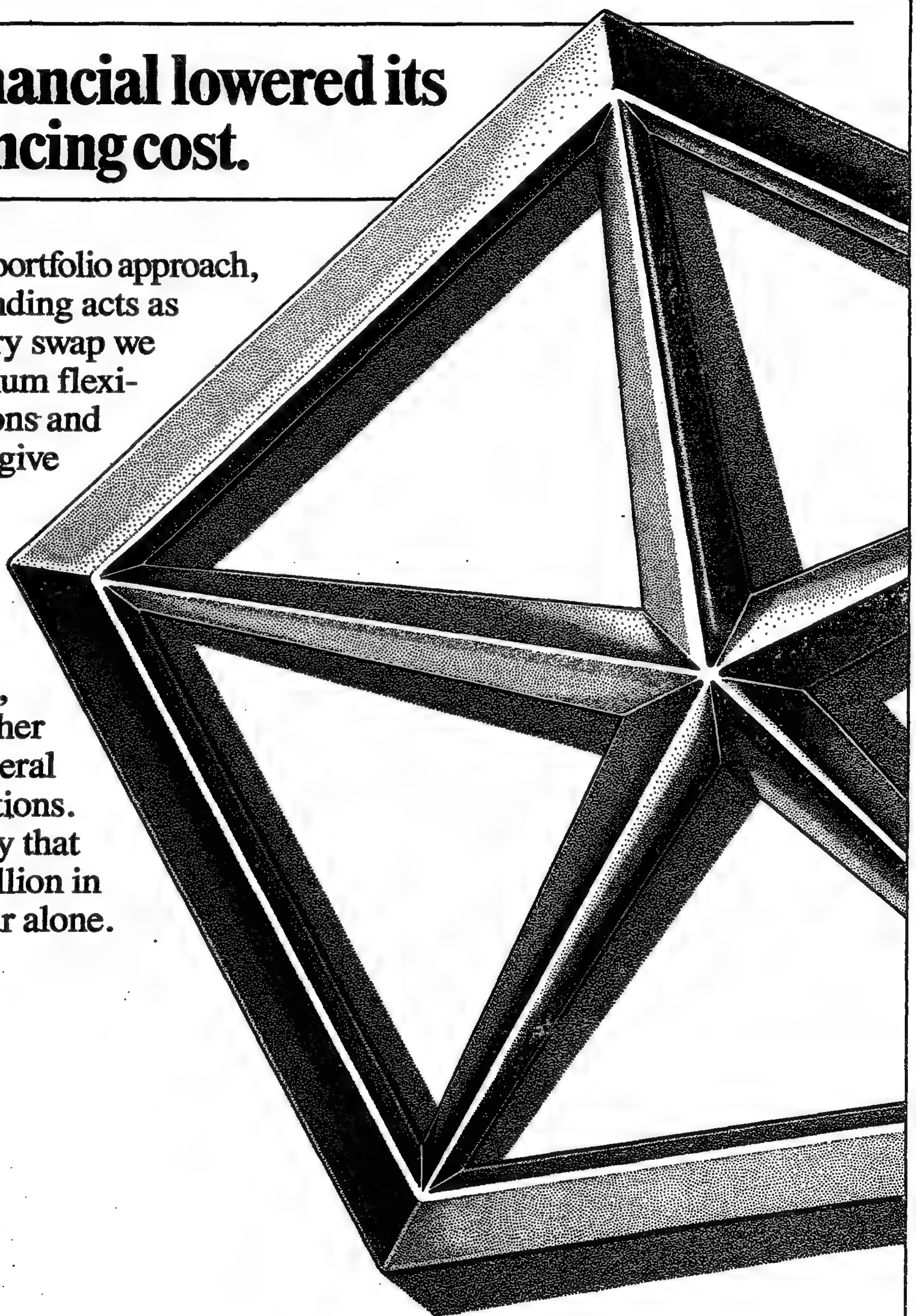

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Tuesday August 18 1987

Minesweeping in the Gulf

AS FOUR British minesweepers sailed from their Scottish base towards the Gulf yesterday, it was clear that they would have a formidable task on their hands when they arrive in four weeks' time. It was equally clear that it was a job which had to be attempted, provided that the limited objectives the Government set out last week in deciding to send the ships were kept in mind.

Mines have now become the overriding danger for shipping in the region. The discovery of mines *hundreds of miles* away from the war zone in what had hitherto been regarded as safe anchorages outside the Gulf prompted France as well as Britain to change its mind and order minesweepers to the region *last* week.

It will be next to impossible to provide complete protection *from this* threat for British-flag merchant vessels and for the three Royal Navy warships which make up the so-called Armilla aPtrol. Iran—which is widely blamed for planting mines in and around the Gulf —said at the weekend that it *has* the capacity to keep up the pressure by producing mines "like seeds."

Defensive purpose

The Armilla Patrol has done a *generally useful job in* accompanying British-flag ships up the Gulf as far as Bahrain for the past few years. So far, its mission has been undertaken discreetly and without major incident. There is no inherent reason *why the decision to* send minesweepers should alter any of that. Their purpose is entirely defensive, and the Government has been at pains to point out that their presence will imply no change in the *role or operational area of the* Armilla Patrol.

The reason why their dispatch has been the subject of some controversy is twofold. In the first place, tension in the Gulf has reached an unprece*dented peak as a result of the* American military build-up in the region and of Iranian sabre-rattling against foreign warships. As Tehran has already made clear, there is a real danger that British and *French vessels could become* involved if a shooting war should develop between Iranian forces and the US Navy.

The second cause for worry is altogether trickier, and concerns the possibility of a link between the British and French minesweepers and the controversial US escort operation for reflagged Kuwaiti oil tankers. American convoys have already been *severely hampered* by mines, and the arrival in the Gulf of eight specialised US mine-hunting helicopters at the weekend will not do much to redress what Washington sees as a serious deficiency in mine-clearing capacity.

Dangerous waters

Both Britain and France flatly rejected American requests for assistance in this area over two weeks ago, and officials strenuously—if rather implausibly — deny that they have been subjected to additional US "arm-twisting" since then. But there is no getting round the fact that it will be that much more *difficult for* them to refuse any renewed petitions for help if the Americans run into real problems with mines again once the British and French vessels are in the region.

As things stand, London and Paris should nonetheless do their utmost to resist such pressure. Agreeing to help the US Navy with minesweeping would take the Armilla Patrol into more dangerous waters *than it has hitherto plied.* Though the Foreign Office does not say so in public, it would also tie Britain to the US policy of deeper and more direct involvement in the Gulf war.

Given that mines pose such a broadly-based threat, an altogether safer course would be to try to muster an acceptable *form of political "cover" for a* truly international *minesweeping* effort in the Gulf — possibly involving the Soviet Union, which itself has a number of minesweepers in the region. A more international venture *would no doubt also* find it easier to obtain full co-operation from the states of the region

British ministers are openly sceptical of the practicality of assembling a joint minesweeping force under the auspices of an international body such as the United Nations or the Wes*tern European Union.* But such an option should at least be attempted if Britain and France are to avoid becoming unnecessarily exposed close to the potential firing line between the US and Iran.

Power vacuum in Brazil

AFTER 21 years of military rule and institutional ossification, few could have expected Brazil's transition to democracy to be either rapid or problem free.

However, the power vacuum that has emerged in the six months since the new congress has been sitting as a constitution-drafting assembly is having a damaging impact on the country's credibility. Both at home and *abroad those who must deal* with Brazil's political masters are increasingly at a loss to know who, if anyone, is in charge. Furthermore, the continual struggle for power between President Jose Sarney and congressional leaders — themselves divided—leaves no clear impression as to what decisions on crucial polices may be imminent.

The political in-fighting could hardly come at a worse time. At home, real earnings are down, interest rates at a record high and disillusion with demo*cracy mounting. This* led to the recent remarkable suggestion by a prominent business leader that industrialists might join trades unions in a nationwide day of protest at government inaction. Abroad, Brazil is just *beginning a crucial re*scheduling negotiation on its \$113bn debt burden. The sole common position shared by all Brazilian politicians is that any enhanced monitoring of the economy by the International *Monetary Fund* is unacceptable.

Loyalty test

The source *of Brazil's in*creasingly unpredictable political outlook lies with the death *of Mr* Tancredo Neves, the President-elect, on the eve of his inauguration in 1985. Although chosen by an electoral college and not the ballot box, his dexterity at coalition-building confirmed both his *political* competence and his legitimacy as the first civilian president since 1964.

As the right-wing vice presidential counterbalance to Mr Neve's social democratic ticket, Mr Sarney has been struggling to establish a claim to *either* quality. He has not been helped by the squabbling inside the *Brazilian Democratic Movement* Party (PMDB)—the majority in both houses of congress and officially the mainstay of the coalition Government—which has repeatedly undermined his decisions, challenged his policy initiatives and questioned his appointments. While partly explicable by the constitutional inter-regnum, this frustration of Mr Sarney also owes much to *mere subversion by pretenders.*

Yet Mr Sarney *himself* has contributed to his own insecurity by insisting that party support for a five-year presidential term be written into the new constitution. Perhaps a *third of the PMDB would* dissent from this loyalty test.

To add to the general uncertainty, congress *has* produced a first draft constitution of just under 500 articles and some 5,000 potential amendments—many of them contradictory.

Strong indications

But while the picture looks bleak, there are some crumbs of comfort. First, in Mr Bresser Pereira, Brazil at last has a credible Finance Minister with a reasonably coherent strategy, both on debt and the internal economy, even though his programme is greeted with much political scepticism. Secondly, there are signs of a growing extra-governmental consensus that Brazil's traditional, hands-on *paternalistic federal system* must give way to the forces of free enterprise, free collective bargaining and decentralisation.

Last, there are strong indications that congress and the PMDB itself are beginning to polarise into a left and a right. Rather than continue to seek an ever-elusive consensus, Mr Sarney might consider encouraging this split by creating a *president's* party *from* his natural centre-right constituency which commands a majority in the congress.

The loyalty test should lie not on the issue of the presidential term but on a coherent programme. This could centre on backing for Mr Bresser's economic policy and a more *clearly articulated* commitment to replace the command economy and corporate state *with a leaner government* concentrated on Brazil's pressing social issues. Even if the price for such a radical strategy were a reduced term, Mr Sarney could at least claim to have presided over a period of genuine modernisation and transition.

BRITAIN'S SPACE PROGRAMME

Too tight to stay in the race

By Peter Marsh

VISITORS to a Government-*sponsored exhibition* that is touring Britain to tell people about the country's ex*ploits in space* technology have been looking rather forlorn in recent weeks.

"People have been saying 'Good heavens, are we really dropping out of all this?'," according to Mr Geoffrey Pardoe, managing director of General Technology Systems, the consultancy organising the *exhibition on behalf of* the Department of Trade and Industry.

The reason for the commotion is Mrs Margaret Thatcher's announcement on July 23 that the Government was freezing, for the *immediate* future, the £110m annual budget of the British National Space Centre, the embryo body set up two years ago to put Britain's space programme on a firmer footing.

Mrs Thatcher's decision was in response *to a plan for an* expanded UK space programme, drawn up by Mr Roy Gibson, the centre's director. It would have enabled Britain to participate in a range of ambitious international space projects involving a *manned* space platform and developments in rocketry and satellites.

Mr Gibson is a former head of the Paris-based European Space Agency, the 13-nation body which co-ordinates Western *Europe's extraterres*trial activities. Out of Britain's yearly spending on space, about £85m goes to ESA, where Britain is responsible for some 11 per cent of the total budget. The remaining £25m funds *national programmes in areas* like astronomy.

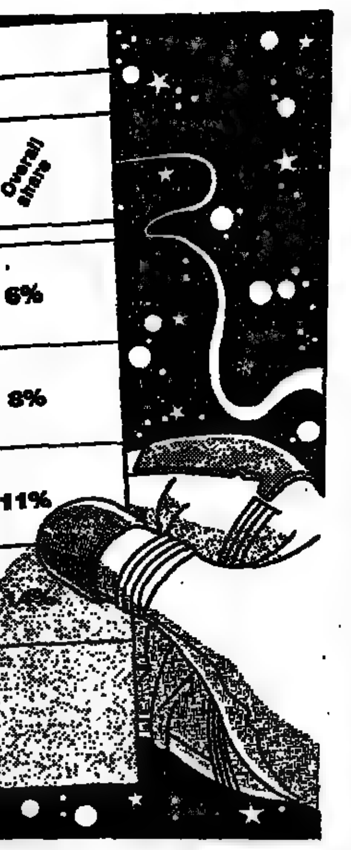
Mr Gibson had taken up his new job in November 1985, assuming that he would be allowed to bring Britain's space budget closer to that of France, *West Germany and Japan,* all of which spend at least three times as much in this area as the UK.

A "menu" of possible increases in the budget was prepared by Mr Gibson and his colleagues. Four of the available options, which are purely illustrative but based on what Mr Gibson had in mind, are shown in the table.

BUDGET OPTIONS

UK contribution to European Space Agency (ESA): Growth target for 1986-91	1991 contribution	Share of ESA programmes: Science/Admin.	Telecomms sats	Earth observation sats	Low gravity experiments	Ariane	Hermes	Columbus	Overall share
OPTION 1 Spending freeze favoured by Mrs Thatcher	at 1986 prices £85m	12%	15%	15%	–	–	2%	2%	6%
OPTION 2 Modest growth of 30% from 1986-91	£110m	12%	15%	15%	–	2%	4%	7%	8%
OPTION 3 Growth, in line with European Space Agency plans, of 80% to 1991	£150m	12%	15%	15%	4%	6%	6%	12%	11%
OPTION 4 High growth, involving 135% increase to 1991	£200m	12%	20%	20%	12%	9%	8%	20%	
Projected ESA spending in 1991 on separate programmes (out of total budget of £1.4bn)		£250m	£150m	£150m	£50m	£300m	£200m	£[illegible]	

Source: FT estimates



With Mrs Thatcher announcing with such force her preference for the *"zero increase"* option—the others would have increased Britain's space spending over the five years to 1991 by 30 per cent, 80 per cent and 135 per cent respectively—Mr Gibson despaired.

Two weeks ago, he *resigned,* saying that without extra funds there was little point either in his carrying on or in Britain claiming that it still has a credible space prgramme.

Mr Gibson had argued for extra government finance on the grounds that, even though many areas of space technology *appear highly promising* commercially, the pay-offs are too far away to tempt the private sector to put up the cash.

Mrs Thatcher's decision has surprised observers who see space technology as important on the *grounds that it brings* together industrially relevant technologies such as electronics, telecommunications and materials, and also has an impact on military programmes involving surveillance and anti-missile defences.

"Britain backing off from space technology is like a *nation in the 19th century say*ing it wanted nothing to do with metallurgy," says Mr Dan Greenberg, publisher of Science and Government Report, a Washington newsletter which covers science policy issues.

While static budgets in civil service departments are, under Mrs Thatcher, hardly a novelty, there appears to be widespread public support for a stronger UK space programme.

In the wake of Mr Gibson's rebuff, one man wrote to the UK space centre calling for a national lottery to finance an expanded British presence in space. A woman telephoned the centre so distressed by Mrs Thatcher's announcement that she was in tears.

The immediate *impact of* the decision, assuming it is not changed, will be substantial. Britain has become the first major nation to declare in such a resounding fashion that it is not interested in putting up more government finance for extraterrestrial projects.

This declaration could have a *spin-off effect* in influencing other Western countries which might be doubting the wisdom of supporting space programmes.

More immediately, it will greatly affect Britain's role in three *big space projects due to* receive the go-ahead later this year.

One of these involves Columbus, a European laboratory which is intended to plug in to a largely US-built space station to be constructed by the mid 1990s. Japan and Canada are also to help in the development of the station. It is to include accommodation for up to six people and permit a range of activities in areas such as low-gravity materials *processing and Earth observa*tion which, perhaps after the year 2000, could prove to be commercially lucrative.

The other two programmes are Hermes, a European mini space shuttle which would take astronauts *into orbit* around the turn of the century, and the development of a new and more powerful version of Ariane, the West European satellite launcher which has been commercialised by a consortium of *European aerospace* companies and banks.

These three projects could cost the European Space Agency—of which Britain is currently the fourth biggest paymaster after France, West Germany and Italy—£7bn by the end of the 1990s. ESA is to decide on the final shape of the programmes *at a ministerial* meeting in The Hague in November.

Without increasing its already less than lavish contribution to ESA, Britain will be denied the chance to participate in the schemes on anything more than a cosmetic basis.

Britain's apparent lack of interest in Columbus, and by implication in the US space station, is causing concern in Washington.

The National Aeronautics and Space Administration, strongly backed by Mr Ronald Reagan, *announced its* space station plans nearly four years ago. It intends to spend \$14bn (£9bn) on the project.

Nasa badly needs European support to get its space station proposals past a Congress which, in the aftermath of last year's Challenger space shuttle tragedy, has grown more sceptical both about large scale space projects and about Nasa's ability to manage them.

The US and Western Europe have yet to agree *on details of* developing the station. After tortuous negotiations, they are still divided on issues such as how the station will be operated and on the critical aspect of whether military experiments will be allowed.

A final understanding on these points is due prior to the *ESA ministerial meeting* in November, so that full-scale development work on the station can start in January.

Nasa had hoped that Britain, with its strong relationship with the US, could smooth the closing stages of these negotiations. Britain might have been able to head off difficulties *involving countries such as* France which have pushed for a strong European role in managing the station — a prospect which has alarmed some members of Mr Reagan's administration.

Mr Richard Barnes, Nasa's head of international programmes, says he fears that after Mr Gibson's resignation Britain will not have "a loud voice" in the closing stage of the negotiations. "We have lost one of the forces pushing for a *resolution (of the space* station agreement)."

Mrs Thatcher's decision has also confirmed, in the eyes of other European countries, Britain's fickleness where joint European projects are *concerned.*

France and West Germany, which between them put up half of ESA's annual budget of around £800m, have pressed for a greater contribution from Britain over the past decade. Both countries have argued that the UK has a lot to offer technologically but is tight-fisted over cash.

An official at West Germany's research ministry says he was "positively surprised" when Britain created its space centre and studied the idea of increasing space spending. "But we have never counted 100 per cent on the British. We knew we could not be convinced about *Britain (increasing its contribu*tion) until it came up with the money."

At the root of the fuss lies *Mrs Thatcher's* apparent belief that the private sector, rather than governments, should foot the bill for increases in space spending. In favour of this argument is the fact that some areas of space technology — such as communications satellites and certain launcher systems — are firmly in the commercial sphere, with companies rather than taxpayers providing investment funds.

In the area of more futuristic projects such as space stations, however, it is not realistic to expect the private sector to provide the funds, according to Mr John Egan, president of the Egan Group, a Washington-based technology consultancy.

"Mrs Thatcher is trying to wean the baby too soon," says Mr Egan. "She is attempting to encourage private industry to seize an opportunity for which it is ill-prepared and where there is no accepted form of action without government involvement."

Certainly Mrs Thatcher's hopes are out of tune with the *state of affairs in other Euro*pean countries and in Japan and the US, all of which are preparing for the space station programme with few cash contributions from industry.

In the US, several companies *such as 3M, General Motors and* John Deere have put up their own money to fund space experiments in areas such as materials processing. And telecommunications concerns like Western Union and GTE are perfectly at ease in *raising* money from the private sector to build communications satellites.

But few of these companies would expect ordinary investors to be interested in the idea of *funding the space station pro*ject: The commercial returns from the scheme are difficult to gauge and its strategic value as a military base would appear to make it vital for the US Government to be the main paymaster.

Mrs Thatcher's ideas on private-sector involvement have also had a cool response from British Aerospace, one of Britain's biggest space companies. The company said it was making "*significant*" investments in space technology. But an increase in private-sector activity could not be expected "because no one wants to invest in an area where the returns are not immediate."

Some parts of Britain's space industry have not given up hope that Mrs Thatcher could be persuaded to change her mind prior to November's ESA meeting. The extra sums that Mr Gibson was looking for are, indeed, fairly meagre in relation to other public spending programmes.

Raising Britain's contributions to ESA by 80 per cent, in line with what the European agency had expected, would involve spending an extra £65m a year by 1991—roughly 0.3 per cent of the cost of running the National Health Service.

Increasing the contribution by 135 per cent—what Mr Gibson had hoped for in his more optimistic moments—would add only another £50m to the bill. At that point Britain's spending on civilian space projects would amount to one-twenty fifth of this year's Nasa budget.

But if only to help out with Mr Reagan's plans for the space station, Mrs Thatcher may yet find some way of keeping Britain a credible member of the international space community.

Men and Matters

Barry's brief at Midland Montagu

Wwith Melbourne-born Sir Kit MacMahon in control at Midland Bank, outsiders might be excused for making a link to the appointment of a fellow Australian as head of capital markets at the bank's securities arm, Midland Montagu.

However, a spokesman points out that the appointment of Robert H. Barry, aged 40, while made with Sir Kit's *full* approval, was not at his instigation but that of Ernst Brutsche, the west German chief executive of Midland Montagu.

Ostensibly, though, it is still an unusual appointment. Barry, whose brief is to map out new strategy for the capital markets business at the firm, has not spent much time in London since the early-1970s.

What he does bring to the job is 11 years of investment banking experience in Australia as co-founder of *Dominguez Barry,* which became one of the country's most aggressive investment banks, and which Montagu took over in 1985.

It took its style, says Barry, not from the British and Australian merchant banks, have traditionally been close to borrowers, but from the *US* investment banks which also need to cultivate relations with investors.

He developed close relations, too, with the Antipodean corporate raiders who are now *familiar names in the UK mar*ket.

Bringing his philosophy to Midland Montagu means the bank will become, "distribution driven." The implication of that he says, is that the bank will concentrate its activities on investors in areas where it considers it has market advantages — the UK, Australia, West Germany, and to a lesser extent the US, where it is a primary dealer in UG government *securities.*

"Stock Exchange chap seems to have caught a cold—that'll wipe millions off Equities, I suppose"

Texas solvent

Remarks by the governor of Texas claiming *that the federal* government will not fully back deposits, and that it is "committing an absolute fraud on the general public" by keeping insolvent savings and loans open, have touched off a furore *in Texas and Washington.*

Governor William Clements was quoted in the Amarillo Daily News, after predicting that the depleted Federal Savings and Loan Insurance Corporation will wind up paying customers of failed institutions about "30 cents on the dollar and give them a piece of paper like a bond."

Danny Wall, the new federal home loan bank board chairman, dismissed the Texas governor's remarks as "complete fiction" and reaffirmed his agency's commitment to ensure all deposits of up to \$100,000.

In the meantime, Texas thrift banks in the Amarillo area began experienucing "heavier than usual" withdrawals, as regulatory authorities were besieged by calls from jittery depositors and inredulous col*leagues.*

A run on Texas's battered thrifts was avoided. "But that came after a long day of panicky calls," acknowledged Texas Savings and Loan League director, Tom King.

Dirty war

Thanks to a brainwave by military scientists in the US, a small British company hopes to clean up *in an important, if* basic, area of defence technology.

US military research has finally destroyed the notion that soldiers ought to have shiny boots.

Parade ground martinets who still hold this view have apparently ignored the danger that infra-red sensors can pick up reflections from the boots—and thus alert enemy forces to the exact whereabouts of opposing infantry.

The reasoning is not as daft as it might appear. Military sensors are getting more sophisticated all the time. Moreover, the metal toecaps fixed to the boots worn by some soldiers *add to the problem,* by increasing radar reflection.

Satellite Extrusions, a company in Soham, near Ely, has seized the opportunity and has tooled up to make toecaps of plastic strengthened with glass fibre. *The company has* shown its ideas to the defence ministry.

Six to watch

Let's all agree there is no shortage of difficult people in this life.

Now a company, Career Track Seminars of Slough, Berkshire, has helpfully classified them into six types.

No prizes for pinning names to these labels.

The Know-it-Alls — "Experts on everything . . . become defensive when they are wrong."

The Passives — "Dead-pan faces, weak handshakes, blank stares . . . never offer ideas or opinions."

The Dictators — "They bully, cajole, and intimidate . . . these folk can cause ulcers."

The Yes-People — "They'll promise any deadline . . . yet they rarely deliver."

The No-People — "Quick to point out why something won't work . . . they resist change . . . they can throw a wet blanket over an entire organisation."

The Complainers — "Is anything ever right with these people?"

An appalling collection. But the trainers offer the comforting thought that, "Nobody is difficult all the time . . ."

Off your bike

Taxi drivers in the fashionable French coastal resort of Cannes have won what they say is a victory for human rights—and conveniently for them, it is also a victory which crushes a threat *to their monopoly.*

The threat was from eight quaintly-named pousse-pousses weird contraptions on wheels which can seat two people behind a bicycle.

The cabbies of Cannes saw red when the drivers of the pousse-pousses, without seeking the mayor's permission, started charging holidaymakers for lifts on the resort's chic seafront.

All 155 of Cannes' irate cabbies ganged up on the intruders.

The mayor, exasperated by requests for permission to drive anything from small electric trains to horse-drawn carriages on the seafront, yielded to the pressure from the cabbies. He has now banned the offending pousse-pousse.

Observer

Letters to the Editor

The great myth of deregulatory ecstasy

From Mr J. Nance

Sir,—Mr Kaletsky's otherwise excellent analysis of the BA-BCal merger proposal (July 29, "Bigger may not be better for Europe" runs headlong into trouble when it begins to misconstrue our American experience with deregulation as a "lengthy honeymoon with the joys of genuine airline competition."

Gentlemen, the "joys" of deregulated airline competition are non-existent—at least they never existed on these shores. True, there have been brief overpublicised, overrated periods of idiotically underpriced seats offered to a few people in a few select major markets for a little while under the false pretense of permanence, but these fares have been scandalously subsidised by the hapless businessman and the poor vacationer who has to fly from Debuque to Des Moines at $1.30 per seat mile while his fellow countryman hitches an essentially free ride from LA to New York at 3.3 cents per seat mile.

Ah, but there is more! Deregulation has destroyed service to hundreds of smaller communities, substituted less-safe commuter puddle-jumpers to others, virtually overwhelmed the air traffic control system with an overabundance of half-empty aircraft, destroyed hundreds of millions of capital investment, and eradicated the careers of over 30,000 seasoned airline professionals while traumatising the rest and materially lowering the margins of safety at the hands of frantic cost-cutting.

But Mr Kaletsky should not be castigated for his rather total misunderstanding — the current administration in Washington has been very slow to perceive the problems as well, looking only at narrowly-focused dollar "benefits" and an accident rate that by the grace of God never fully reflected the cost-pressured cutbacks in maintenance, training and operations throughout the land. Now most of the new carriers are gone, or have learned how to be mature members of the airline community. In the meantime, the established carriers have, through mergers, gained back enough strength to be able once again to ask the question "How much safety is enough?" rather than the cost-pressured question of "How much safety can we afford?" The major carriers have, with a great sigh of relief, begun returning to fare structures that more nearly approximate at least a return on the cost of the product inclusive of reasonable safety expenditures.

In fact, only Texas Air Corporation remains outside the orbit of rationality with its own frantic attempts to re-ignite the same ruinous fare wars which caused all the damage to begin with. Texas Air will be able to provide neither an acceptable level of service nor an appropriate level of safety in the long term without joining the rest of the industry in reasonable fares. Of course that begs a significant question: Where will deregulation be then? The answer, of course, is that it will have become, as predicted as far back as 1976, the inevitable victim of none other than free market forces. In other words, we've gone through a ruinous holocaust—not a honeymoon—for nearly nothing.

How do you avoid following the same prescription for disruption and near-disaster on the Continent? Go ahead and deregulate, but for heaven's sake maintain governmental control of some sort over entry and prices. In other words, if we free-market-maddened Americans had prevented the common deregulatory scenario in which five airlines were free to provide service on a route that could barely support two, and if we had prevented carriers from pricing themselves into penury with below-cost fares, deregulation would have worked very well. In the final analysis we simply went too far in throwing a public utility to the harsh world of the free market. The efficiencies which have, in fact, been created by all this instability would still have been created if we had merely had a slightly limited version of deregulation.

John J. Nance.
*4512 87th Ave W,
Tacoma, WA 98466,
USA.*

A strategy for electricity

From Mr P. Larkin.

Sir,—In his letter (August 12), commenting on that from Stanley Steward, John Lyons, whose union membership is largely drawn from the power supply industry, suggests that splitting the CEGB into two or more generating companies would inevitably mean higher power costs. This would be true only if the forces of competition do not have the chance to drive out monopolistic practices which contribute to high costs. I agree with Mr Steward that ownership of the grid will be a vital factor but retention of the CEGB in its present form, which, from his second letter (August 14) he seems to consider less important, would also be highly anti-competitive. Such a company, whether investor or publicly owned, would dominate the industry in Great Britain and inhibit any attempt to build competitive generating capacity.

In order to open up the market, the successor companies to all the 15 electricity boards in Great Britain should be both financially and technically strong which, to me, suggests that ideally they should be all purpose companies. The grid could then be jointly owned to serve its present purpose without putting any one company in a dominant position where its management was concerned. The industry would then become rather like its counterpart in North America, where investor owned power companies serving relatively small areas are quite common and, where also the grid system is very like ours in its purpose though, of course, there are geographically influenced differences. I would go further and take another page out of the US book. The new power companies should be given the power to enter the gas market. Presumably they will be able to buy their fuel supplies from the cheapest source. Bulk purchase of natural gas could be very competitive for power generation and also give British Gas competition at both the gas buying and selling end of its business as the power companies would be able to give other gas users in their area an alternative source of supply, via their own pipeline system, which would otherwise not be economic.

Philip M. Larkin.
*85 Woodland Drive,
Watford, Herts.*

From the General Secretary, Engineers' and Managers' Association

Sir,—In reply to my letter, Mr Steward (August 14) downrates his view that the CEGB has to be split up, but repeats his earlier opinion that the key to competition in generation lies in "ensuring the independent integrity of the common carrier of electrical energy" (ie, the national grid).

In an article in 1984 Mr Steward analysed in some detail the arguments for and against privatising the electricity supply industry. He concluded: "It would seem that the scope for introducing privatisation into electricity supply should be confined to the encouragement of private generation without restriction of supply when it is economic to do so (this is enshrined in the 1983 Energy Act and is not controversial); to provide for the injection of risk capital on suitable projects (agreed); and to hand over installation contracting to the private sector (unnecessary when the boards are in competition with the private sector)."

The quotation is complete. The words in brackets are my observations on each of the three points. Mr Steward's opinions rightly command respect. On the face of it however they appear to have changed a lot recently.

John Lyons.
*Station House, Fox Lane North,
Chertsey, Surrey.*

Confusion in the money supply

From Mr D. Kinnersley

Sir,—In our High Street the banks insist on using £10 notes in their cash dispensers, as £5 notes would be so much more bulky to meet the demands made on the machines. But at our local station, London Regional Transport has a newly installed automated ticket dispenser that will accept and give change for nothing larger than £5 notes — presumably because giving change for higher notes is too bulky.

Is this an economic or a technological problem? Should the bank manager or the station master put it right — if either has sufficient influence on their head offices?

David Kinnersley.
*111, Church St,
Chesham, Bucks.*

Solution for settlements

From Mr R. Apfel

Sir,—Clive Wolman's article (August 14) on the UK settlements crisis highlighted two potential solutions to the current problems: the construction of a "TAURUS" computer system by 1989, or the increased use of nominee accounts by individual investors aimed at immobilising stock certificates.

A timely solution is what the City clearly needs. Unfortunately, Mr Wolman seems to have quoted a mistaken City source in suggesting that the nominee solution would take six to nine months to implement. I beg to differ.

Nominee ownership already exists in the UK. It has existed for centuries. Laws governing commerce, companies and finance contain sections that define nominee ownership and its use. Lately, nominee accounts have been extended to thousands of individual investors through PEP schemes.

Eventually, nominee firms may wish to unload their certificates into the safe hands of a central depository. Clive Wolman's source probably meant to say that a central depository would take six to nine months to create. This central service, modelled after Euroclear, Cedel or the Depository Trust Company, would be sponsored by the Stock Exchange, the Bank of England or a private party such as the ICCH or Barclays.

The nominee solution is available now. It uses existing procedures, laws and systems and produces immediate cost savings for the brokerage community. The Government is concerned that the sale of British Petroleum shares in October will overwhelm the back offices of the City. The nominee approach will quickly reduce the flood of paperwork and maintain citizen participation.

Leadership is needed now. We look to the Government to lead with the design of its BP sale. The momentum created by the sale will help resolve the settlements crisis, and will induce others to follow suit.

Robert C. Apfel.
*156 William Street,
New York, NY 10038.*

Unexposed pension snags

From the Chief Executive—Marketing, Stewart Wrightson Benefit Consultancy

Sir, — In all the recent enthusiasm for personal pensions and the new freedom of choice they provide, little or no publicity has been given to what I regard as two major snags when compared with membership of a good company scheme.

On the whole, company schemes provide a wide degree of flexibility in dealing with early retirement, are frequently generous in the treatment of those retiring, say, within five years of the normal retirement date, and virtually always will treat ill-health early retirement very favourably indeed.

Under a personal pension, no such flexibility exists. Only by paying substantially increased contributions can a member cope with early retirement. That's fine if he is willing to make the commitment and his early retirement is planned. All too often, however, early retirement is unexpected either because it is company-inspired or it results from ill-health.

History shows that well-run company schemes have a good record of introducing benefit improvements which are frequently retrospective and largely paid for from increased company contributions and fund surpluses. There is no reason to suppose that this process will not continue.

So the employee who opts out of the company scheme in favour of a personal pension is very likely losing any opportunity to benefit from the improvements and will be quite unable to improve his own lot significantly for the future, let alone retrospectively.

D. T. Hall.
*Kingston Bridge House,
Church Grove,
Kingston upon Thames, Surrey.*

A Japanese politician

From Mr J. Stockwin.

Sir,—Simon Holberton's obituary of Nobusuke (not Nobosuke) Kishi (August 8) is curiously unbalanced. His prime ministership from 1957 to 1960, which was the pinnacle of his career, is only fleetingly mentioned, with the statement that he "successfully renegotiated Japan's security treaty with the US." That renegotiation, however, precipitated Japan's most serious political crisis since the Occupation, involving massive demonstrations and protests and forcing Kishi to cancel President Eisenhower's planned visit to Japan. The fact that Kishi had ordered large numbers of police into the parliament building to remove obstructing Socialists aroused widespread fears about the health of Japanese democracy and further inflamed the demonstrators. The crisis only subsided with his resignation.

It would also have been worth mentioning that Kishi was associated with attempts to dismantle much of the American Occupation's democratising reforms, and that he raised the political temperature so high as Prime Minister that his successors shied away from controversial political reform and foreign policy initiatives, preferring to concentrate on the more popular aims of improving the economy.

J. A. A. Stockwin.
Nissan Institute of
Japanese Studies,
*1, Church Walk,
Oxford.*

Lack of attractive outlets for lending

From Mr H-J Ruff

Sir,—Silly season or not, one should not be deafened by the roar of the mice in Barry Riley's Long View (August 1) so much as be unnerved by the echo of the ghost of "sovereign lending past," which has found reincarnation in the bonanza of leveraged buy-outs (LBOs). This latest boom reflects all the dangers inherent in the sovereign lending bonanza of the 1970s that has culminated in write-offs for those who can afford it, and the development of a secondary (second-hand) market in bad debts for the rest.

The dangers that lay in the sovereign lending explosion stemmed from an exponential growth of activity in an area of lending which, for a multitude of reasons, represented a high or poor risk unrewarded by an adequate return. The ostensible results have been bad debts, pronounced euphemistically in such ways as rescheduled or deferred; and pardoned debt. These among others are traded in the highly active secondary markets that have recently developed. The more fundamental result is a sapping of the market's confidence in the efficacy of the banks to reduce risk by their intermediation. Hence we have seen over the past couple of years the flight to securitisation as a means of restoring that confidence in the financial market place itself.

In the case of LBOs, once again, we have an exponential growth of activity. This has been fuelled by stiff competition among the suppliers of funds (notably banks) who are driven by the same very-likely-doomed-to-failure "push" factors (i.e. a lack of attractive alternative outlets for lending); rather than any inherent sweet-smell-of-success "pull" features in these deals. Even though this process has not been going on for very long, we see already an almost premature degree of sophistication described by Barry Riley when he harkens to the roar of the might mice i.e. relatively small companies making take-over bids for others many times their own size.

It would be a pretty wild generalisation to say that all LBOs represent a high or poor risk. Conversely, it is true to say that there are quite a few pretty "wild" LBOs i.e. making little or no economic sense. For example, there are hostile takeover bids, and esoteric defence strategies such as "poison pills," "shark-infested waters" etc which invariably represent high or poor risks. Nevertheless, there seems little difficulty in finding financial backing for them in the market. That is not, however, where the danger lies! For there is nothing wrong intrinsically with a high or bad risk providing there is an adequate reward.

The danger lies elsewhere. It lies in the fact that the risk/reward ratios are distorted by the sheer volume of funds channelled into LBOs for want of an alternative; echoing what happened in the heyday of sovereign lending. Added to that, an even more ominous development is a pricing strategy that also has a distorting effect on risk/reward ratios. This is the emergence of initial loss-leader pricing by banks hungry for LBO mandates. Such low initial margins are then compensated by more lucrative pricing to attract participants in to fund the subsequent sale of assets when they are eventually disposed of to repay the LBO.

It is not too soon to arrest the flight to fantasy of those who are departing from the realms of financing economic-based growth strategies into the realms of ambitions and dreams. By acting now, the need may be pre-empted for still more provisions and the development of yet another secondery market; this time in corporate debt.

H-J Ruff.
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FOREIGN AFFAIRS

Peering into the heart of darkness

Jurek Martin says for once Japan's Foreign Ministry is upstaging the mighty Miti

A RECENT editorial in one of Japan's leading daily newspapers began with the words: "It is said that in the Middle East there is no telling what will happen tomorrow." It so happens that the best known political aphorism in Japan is that, "in politics, an inch ahead is darkness." Therefore we can conclude from this that neither the Arabs nor the Japanese have the foggiest idea what is going to happen next, a state of mind which can be said to apply to lots of us non-determinists.

However in the West, it is customary to have opinions about what ought to happen next, or indeed has happened. These opinions, in turn, reflect certain national predilections. The French are notorious for this but the British are not that far behind. We have, for example, recently observed some rather extraordinary British pronouncements on deficiencies in the course of justice in Sweden — at least when applied to well-bred English army officers who have the misfortune to be apprehended with a valuable stash of hash concealed in a Jaguar.

The fact that there is no known record of previous British animadversions on the Swedish legal system (unless it be to approve the severity with which drunk drivers are prosecuted), or the question of whether the same outrage would have been expressed if the accused had been an unemployed steelworker from Newcastle driving a 10-year-old Cortina, were not considered disqualifications for having an opinion. Nor, indeed, was the fact that Britain's legal process is sometimes rather peculiar, at least when applied to retired intelligence agents.

The Western perception of the Japanese is that they must know what they are doing, or else they would not have been as successful as they have been in the post-war years: but that we know very little about their opinions. It may well be true that by speaking softly and carrying a large economic stick Japan has found a formula that works, though it might not necessarily do so for other countries with a longer history of involvement in the greater affairs of the world. Japan is, perhaps, lucky not to have a Cuba, a Gibraltar, a Chad or an Ireland on its books.

History, in fact, does weigh heavily on Japan. The combination of its long isolation up until 1870 and its ultimate defeat in the last world war has produced an apparent modern diffidence that passes our understanding. This history has also meant that the Japanese have preferred to establish their own rules for behaviour in an irrational world — guidelines that can be relied on, more or less, when all about is confusion. Some of these have been evolved internally and some imposed, most obviously by the US Occupation after the war. Thus the Constitution prevents Japan from sending forces to the Gulf and other edicts stop it developing an independent nuclear capability or engaging in arms trading—the latter, especially, no small mercy.

Obviously some of the guidelines have been winked at, particularly where there has been conflict with the requirements of the security relationship with the US, and some have been rendered out of date. The Americans see, for example, Toshiba Machine's sale of sophisticated technology to the Soviet Union as arms trade under the guise of technology. That it broke the rules of Cocom, which co-ordinates East-West trade added force to the American position. The fact that Japan has, on a rigid interpretation, broken its own rules by participating in the Strategic Defence Initiative is just an unnecessary irony—and, anyway, those were Japanese, not international, rules.

Probably the one dictum that has mattered most in the post-war years was laid down by Prime Minister Shigeru Yoshida, the father of the economic miracle. This was that, in all things, priority should be given to national economic development. Every subsequent conservative government in Japan—and there have been, with only one minuscule coalition interruption, only conservative governments since the war—has abided by the rule. Not until the advent of Mr Nakasone was there much official recognition that other considerations might come into play in Japan's relations with other countries. Japan simply dealt with nations as they were—principally as markets—rather than as they might, or should, have been; and sometimes as a reflection of the US imperative, for instance in first upholding Taiwan and then opening doors to China.

Thus the most powerful organs of the Japanese government were the overtly economic ministries (Finance and International Trade and Industry) and those that served the economy (such as Education) by ensuring the right supply of skilled, obedient labour properly imbued with the work ethic. The Foreign Ministry certainly recruited the elite. But as the internal representative of the internationalist approach, it can never be said to have really counted in Tokyo when it came to the crunch.

There are signs that this might be changing, for the simple reason that Japan's economic success, and some of the restrictive practices that have helped bring it about, is now its biggest international problem. The blame for this state of affairs is being laid at the door of those who have run economic policies. Thus, in the internal turf battles that dominate government in Japan, the Foreign Ministry has pointed out to some effect that Miti is at least partly culpable in the Toshiba affair. Its argument is that Miti allowed the Japanese company to violate an international agreement to which Japan is party (Cocom) without due regard to the impact of discovery on Japan's relations with the US.

The case is given a further twist by alarmist suggestions that the mighty Toshiba parent company, with its vast domestic employment, has laid itself open to the possibility of a "fatal blow"—to quote an editorial in the sober Nihon Keizai Shimbun. In other words, Miti failed to live up to its domestic responsibilities as well. This indictment is probably a bit unfair to Miti, but in turf wars, anything goes.

Further evidence was provided recently with the publication of the Foreign Ministry's annual "blue book," a sort of non-prescriptive white paper on the state of the country's external relations. It is normally less than compelling reading, but the latest version shows a bit of muscle. It suggests that Japan should become "well balanced in such fields as politics, the economy and culture"—an unexceptional sentiment on its own unless seen in the Japanese context of a strictly notional balance. It is, moreover, the Foreign Ministry which is pulling hardest for an imaginative recycling of the Japanese surpluses and for more foreign aid, though higher oil prices and thus smaller surpluses constitute a strong countervailing argument.

Even Japanese reactions to what has been happening this year in South Korea reflect a degree of sensitivity not always present before. Japan has done very little, which might seem a contradiction of this thesis, but it has done little creatively. The dislike Japanese hold for Koreans and the close ties between some of Japan's conservative political and industrial interests and the establishment in Korea might have led to a lot of public Japanese moaning about the inability of the Koreans to run their own affairs.

The consequent costs to Japan, and to regional stability, might have proved a popular theme. But this has not happened much. What we have seen instead have been correctly discreet expressions of understanding for legitimate democratic aspirations.

All this amounts to a lot less than a revolution in the ways Japan looks at the world — and the sins and omissions of Japanese foreign policy, as we might want it, can still be writ large.

But if there is a voice in Japan which does have an inkling of what is going to happen in the Middle East beyond the price of oil, it should be encouraged. The habit could be infectious — it could spread to their politicians, and ours too.

FINANCIAL TIMES

Tuesday August 18 1987

John Wyles in Rome reports on a bitter power struggle in the Christian Democratic Party

Taste of triumph turns sour

"YOU CAN even destroy a government, be bad on the details of policy and still be promoted because the faction system requires it. If Agnelli chose his managers in the same way then goodbye Fiat..."

Mr Giuseppe Zamberletti is understandably bitter. A victim of the internecine struggles within his Christian Democrat party, Mr Zamberletti was struggling to co-ordinate a response to last month's landslides in the Valtellina region of northern Italy when he learned from a journalist that he was not to be included in Mr Giovanni Goria's Government.

Mr Oscar Luigi Scalfaro sounds similarly disillusioned. He, too, finds himself on the outside after a creditable four years as Minister of the Interior because his job was needed to maintain a vital balance between Christian Democrat factions.

"What we are talking about is a system of politics which my party should block and completely prohibit," he said at the weekend in a newspaper interview.

There is more than a touch of sour grapes about these complaints which are really a none-too-veiled attack on the leadership of Mr Ciriaco De Mita, the 60-year-old southerner who has been the Christian Democrat party secretary since 1982.

Mr De Mita, after all, promised to quell the internal battles between factions in the interest of putting the party, which has dominated all post-war Italian Governments, and led most of them, back in touch with a society with which it was clearly losing contact.

Factionalism began to dominate Christian Democrat politics in 1952 when Mr Amintore Fanfani (now Minister of the Interior) created the first organised internal grouping. The early rationale was that factions helped to reconcile inevitable internal divisions and conflicts of interest in a mass party representing nearly 50 per cent of the vote.

This was a noble origin for a system of politics which "is moving towards an ignoble end," said Mr Beppi San Giorgi, one of Mr De Mita's top aides.

Mr Oscar Scalfaro: out of office after four years

"Instead of expressing ideas and policies, they have become organisations which are solely interested in power," he says with some resignation.

Nevertheless, it was the balance of power between the factions which determined Mr De Mita's selection of the 15 Christian Democrat ministers for the Goria Government.

Article 92 of the constitution says that the choice should have been made by the Prime Minister, but he is a De Mita man and such a power has never lain with a Christian Democrat Prime Minister unless he has been party secretary at the same time.

For many years, the distribution of posts was based on the so-called "Cencelli manual". Named after its author, a party official, the manual established the criteria for dividing jobs in proportion to a faction's strength within the party.

These might include the percentage of votes controlled at the party's biennial congress, a faction's geographical spread and, most importantly, the number of preference votes harvested at election time by the faction's leaders.

The result is that the quality of Italian Government has all too often been degraded by Christian Democrat factionalism. Ministers are only incidentally chosen for their abilities and, once in office, they are constantly distracted by the need to protect and advance their position in the party. Nor is there any incentive to perform well as a minister - as Mr Zamberletti has eloquently asserted.

Moreover, ministerial office is frequently used to promote factional advantage. A Minister of Posts has a very large number of jobs to distribute; a Minister of State Participation can advance his own men in state industries; while a Minister for the Mezzogiorno has huge opportunities for clientelism.

Mr Goria, perhaps desiring a stronger personal base in the party, has kept this one for himself and will have L175,000bn (£79bn) to spend over the next three years, if his government lasts that long.

Mr De Mita does not seem to have employed the precision once demanded by Cencelli. If he had, he would not now be in such bad odour in the Veneto where the party leadership is outraged at having lost the two ministerial posts its members have filled for the past four years.

The Veneto controls about 10 per cent of the votes at the congress and is talking darkly of creating a breakaway unit along the lines of Mr Franz Josef Strauss's Christian Socialist Union in Bavaria which stands outside West Germany's Christian Democrat party.

The Veneto revolt suggests that Mr De Mita has partially failed in his bid to ensure that none of the most powerful factions were pushed into rebellion by the share-out of government jobs. With the party's biennial congress looming next March and his own re-election at stake, the party secretary could not risk fomenting a strong challenger. One may still emerge, but not from the Veneto which lacks a candidate of sufficient stature.

His choice, therefore, reflects the current balance of forces within the party. He would have discounted at his peril the Catholic Church interest and, indeed, he pressed Mr Scalfaro to accept the Public Instruction Ministry because, according to Mr Scalfaro, this is what the Vatican wanted.

A very large number of preference votes in the June election, plus strong Church backing, meant that the foxy veteran Mr Giulio Andreotti had to remain as Foreign Minister even though he is clearly disenchanted with Mr De Mita.

As the creator of the modern Christian Democrat organisation, the octogenarian Mr Amintore Fanfani remains strongly influential. He took the Interior Ministry at the doleful expense of Mr Scalfaro.

In the 1960s and 1970s the party was dominated by the so-called Dorotea faction which made up for what it lacked in ideology with a determined and frequently unprincipled pursuit of power. Its modern form is the faction known as the "Gulf" because its leadership is drawn from the Gulf of Naples. Mr Antonio Gava (Finance), Mr Remo Gaspari (Civil Protection), and Mr Emilio Colombo (Budget) most prominently sailed into the cabinet under this flag.

Then there was the need to satisfy the Christian Democrat president, Mr Arnaldo Forlani. He nominated Mr Russo Jervolino (Special Affairs) and Mr Luigi Prandini(Merchant Marine). As leader of the left faction, Forze Nuove, Mr Carlo Donat Cattin had to return as Minister of Health and a place also had to be found for his nominee, Mr Giovanni Galloni (Public Instruction).

Finally, the party secretary had to look after his own followers. Mr Goria looks cheerful enough about being Prime Minister, while two Sicilians, Mr Sergio Mattarella (Parliamentary Relations) and Mr Calogero Mannino are being given their first taste of government by Mr De Mita.

The experience of assembling the Goria Government has been a rude reminder for Mr De Mita of what little success he has had in curbing factionalism in his party.

As a result, what should have been a moment of triumph - the return of a Christian Democrat as a fully fledged Premier for the first time in more than six years - has been greatly tarnished by unseemly recrimination. There will be scores to be settled at next year's congress.

UK retail sales surge causes concern on credit

By Ralph Atkins in London

BRITISH RETAIL sales grew strongly in July, building on a sharp rise in June, according to official figures published yesterday.

The Department of Trade and Industry said its seasonally adjusted index of retail sales volume increased by 1.4 per cent in July after a 3.2 per cent rise in the previous month.

The index now stands at a record high of 131.2 (1980=100) compared with the previous peak of 130.0 in April.

Although the monthly figures often move erratically, the large increase in July underlines a continuing surge in retail sales. In the three months to July, the volume of sales was 1 per cent higher than the previous three months and 5.5 per cent higher than the same period last year.

The upswing comes after a relatively flat start to the year but follows a sharp upswing in the last six months of 1986.

The increase was larger than most City of London economists were expecting and fuelled worries about the extent to which the increase in retail sales has been paid for by expanding consumer credit.

Two weeks ago the Bank of England raised base interest rates by 1 percentage point partly because of worries about the expansion in bank borrowing and credit card purchases by shoppers.

Attention is now focused on other economic statistics this week - particularly Thursday's money supply figures - which may increase nervousness about the amount of liquidity in the economy, which could leak into higher inflation.

"There must be a danger, if all the indicators go in the same way as retail sales, of another rise in base rates," said Mr Kevin Boakes, UK economist at Greenwell Montagu.

After yesterday's figures were announced gilt prices fell by a point, although the drop was probably exaggerated because activity was relatively thin. Government bond prices recovered some ground by the close and ended yesterday about ¾ point lower overall.

Sterling's trade weighted index was little changed at 72.6 compared with 72.5 at Friday's close but, on the equity market, the FT-SE 100 index fell 35.8 to 2,259.6 in nervous conditions. The FT Ordinary index dropped 21.3 to 1,764.0.

THE LEX COLUMN

A change of focus

The stock market is still on the verge of hysteria; ready to panic on rumours since recent economic statistics have failed to cause alarm. Clearly a large rights issue would not be to its taste now and if Standard Chartered comes up with one this morning, after its shares fell 54p to 750p last night, it will suggest a real desperation for cash. If yesterday's other far-fetched rumour - that a large securities house is in trouble - is true, the market really will have problems.

Pilkington

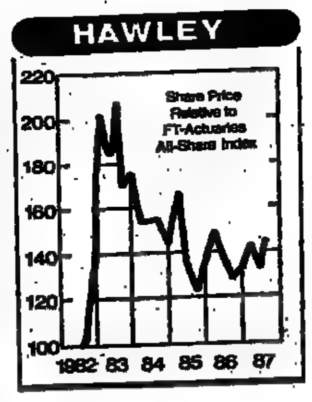
While the big overseas glass makers - St.Gobain, Asahi Glass, PPG - have tended to diversify into such unglamorous industries as cement and chemicals, Pilkington's £361m acquisition of Revlon's Vision Care business aims to propel it into the world of high-tech.

Pilkington stresses that its largest-ever acquisition is not a desperate leap into the dark, to insulate itself from the predators, but is part of a carefully crafted long-term strategy to have 30 per cent of its profits coming from high-technology businesses by the early 1990s.

Yesterday's deal doubles the size of Pilkington's ophthalmic business, catapults the company into one of the top three companies in a market which has been showing double digit annual sales growth and sports sales margins which are some 60 per cent above those on Pilkington's traditional glass operations.

The downside is that Pilkington's shareholders are having to digest an effective one for seven rights issue and suffer an estimated 7 per cent dilution in the first full year of the acquisition. This will reduce estimated 1988 earnings by around a penny to say 28p, but the market seemed prepared yesterday to accept this in return for the promised long-term benefits.

Hawley/ADT



Hawley's bid for ADT is in the industrial sense laudably consistent. It was with the purchase of Electro-Protective, a security firm, that the group began its US expansion strategy six years ago, and ADT would take it from fourth to first place among US purveyors of burglar alarms and such. An exit p/e of 23 is steep for a company whose own shares are at a multiple of 12, but it is claimed that dilution by 1988 would be negligible. And by comparison with some of the more cheeky bids of recent months, a price of $635m should be within easyreach of a company whose market capitalisation - on a fully diluted basis, to be sure - is now claimed at $1.6bn.

But the deal also offers a by now familiar pattern of unexceptionable ends being sought by contentious means. The $300m convertible preference share issue plainly contradicts the pre-emptive rights principle, at least for the UK shareholder. But Hawley is now a foreign company, and some 25 per cent of its shareholders are US-based and therefore unable to take up a conventional rights issue. UK shareholders, apparently, have now fallen to under half of the total, and as a class they were never very keen on Hawley anyway. Hawley, it appears, now feels ready to repay the compliment.

Unilever

Unilever's gyrating quarterly figures have once again provided rich pickings to the traders. The over-exuberance which greeted a set of admittedly impressive first quarter figures has now been reined in with a vengeance. An eight per cent dip in the share price may seem rough treatment in view of a 26 per cent second quarter earnings rise (36 per cent for the first half) but at least it still leaves the rating a smidgeon above the sector.

The second quarter is more of a consolidation than the market was willing to concede, especially if allowance is made for the extra week and above average depreciation gain in that remarkable first quarter. Margins in Europe continued their upward march (they have now doubled in about four years), thanks to the hard won lower cost base and disposals of lower margin commodity businesses. Volume figures are a little below internal targets but the overall second quarter margin is still slightly up on the first.

There will, it is true, be higher US marketing costs in the third quarter, and based on June figures the exchange rate cost would be £50m for the full year. Operating profit growth without Chesebrough and the change in depreciation would also be a less impressive 13 per cent for the second quarter. Nonetheless, just as margins in Europe threaten to run out of steam next year the real benefits of Chesebrough (and possibly the Pacific basin expansion) should take over.

B & C/Mercantile

To the cynical, the sudden friendship between former enemies British & Commonwealth and Quadrex will not be surprising. Self-interest has prevailed. Indeed, had the two sides had their heads knocked together earlier, both would be even better off today - at the expense of the Mercantile House shareholders. As it is, Quadrex is getting most of what it wants from Mercantile, at a full but not outrageous price. And B & C is still getting the Oppenheimer fund management business for a decidedly reasonable sum.

After taking £280m from Quadrex for the wholesale broking side, a figure probably not far short of £100m for Alexanders Laing & Cruickshank, and a few million for other saleable parts, B & C will end up paying around £150m for Oppenheimer. That suggests a prospective multiple of less than 12 even before any benefits of merging it with Gartmore come through. And B & C is paying with more highly rated paper. On top of that, the earnings enhancement for B & C of buying in most of Caledonia Investments' B & C stake promises a leap in earnings per share in 1988 to bring the p/e down to 13 or less. Mercantile House holders might do well to take paper rather than cash.

Hawley in $635m US offer

Continued from Page 1

through which subscribers' premises are electronically monitored. It operates more than 100 in the US and 13 in other countries, including two in Britain. Its national coverage would allow Hawley to expand from its present east coast base.

In 1986, ADT achieved pre-tax profits of $38.3m on revenues of $519m, while Hawley (which reports in US dollars) made $83.3m on turnover of $841.8m. Hawley has subsequently paid £182m for British Car Auctions, which had pre-tax profits equivalent to $21.9m in the year to August 1 1986.

Although the terms have not been set for the 15-year convertible preference issue, lead managed by Credit Suisse First Boston, the dividend is expected to be about 6 per cent, paid semi-annually, with a conversion price of between 18 per cent and 22 per cent above the prevailing market price.

If fully converted, the issue would create 124m additional ordinary shares, to raise the total outstanding under Hawley preference issues to 292m. Hawley at present has 490m ordinary shares in issue or about to be issued as a result of the purchase of the BCA minority.

Mr Ashcroft rejected suggestions that Hawley was breaching UK investment guidelines on the issue of shares without pre-emptive rights for existing holders. Hawley was not a UK company, he said, and fewer than half of its shareholders were British. The group in any case was seeking shareholders' approval for the issue.

The latest issue will raise to $680m the total which Hawley has raised through this means since March 1986. In addition to the three Euro-issues, Hawley also raised $24.3m through a sterling convertible last year

Aircraft crashes onto Detroit highway killing all 153 aboard

ALL 153 people aboard a Northwest Airlines jet died when it crashed on a highway yesterday in the second worst air accident in US history, Reuter reports from Romulus, Michigan.

Aviation officials said the aircraft caught fire seconds after takeoff, clipped a building and plummeted into cars on a busy highway in Romulus, a western suburb of Detroit.

The crash was the latest incident to send shivers through US airline passengers, who have been complaining in recent months of inefficient service and a series of near collisions.

A spokesman for the Wayne County Sheriff's Office, whose jurisdiction includes Romulus, said that in addition to those on board at least two motorists died in the tragedy.

'There were no survivors,' said Northwest spokeswoman Sandy Dahlen.

The cause of the disaster was not immediately known. Some press reports suggested there might have been a bomb aboard, but federal aviation officials discounted the reports.

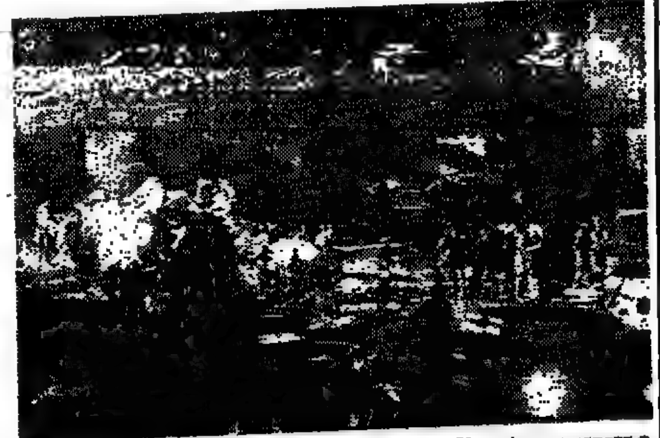
Ms Dahlen said the aircraft was carrying 144 passengers and nine crew. Three of the crew members were in transit and not working on the flight.

Mr Steven Rothmeier, the airline's chairman, said in a statement issued at the company's headquarters in Minneapolis, Minnesota, that Northwest was 'stunned by this tragic loss.

'With our condolences, we have extended to all the families a commitment for every possible assistance.'

It was the second worst US air crash, equalling the 153 killed when a Pan-Am aircraft went down in Kenner, Louisiana, shortly after takeoff on July 9, 1982.

The worst accident left 275 dead and took place on May 25 1979, when an American Airlines DC-10 crashed on takeoff from Chicago's O'Hare airport.



The wreckage of the Northwest Airlines jet lies strewn across a highway in Romulus, a suburb of Detroit

Northwest drew the second largest number of complaints about its service of any major airline in July, according to the US Transportation Department's Consumer Affairs Division.

Passengers filed 948 complaints against Northwest, trailing only Texas Air Corp's Continental Airlines, which drew 1,541.

The crash occurred shortly after the first anniversary of Northwest's $880m purchase of Republic Airlines. Since the acquisition, Northwest has been hit by labour strife, much of it involving former Republic employees.

Mr Rothmeier earlier this month blamed a slowdown by the airline's mechanics for delays on as many as 15 per cent of Northwest's flights.

Mr Guy Cook, president of the local unit of the International Association of Machinists, denied that the workers were intentionally slowing their pace. But he said many of the mechanics were refusing to work overtime hours requested by the company.

Rescue officials said the twin-engine McDonnell Douglas MD-80, an updated version of the DC-9 passenger aircraft, was taking off from Detroit Metropolitan Airport last night on a flight to Phoenix, Arizona, when its left engine appeared to catch fire.

They said the pilot frantically radioed a distress call seconds before the aircraft began its plunge.

Airport Community Relations Manager Mr Michael Conway said the aircraft skidded under three highway bridges and broke up. The cockpit was found several hundred yards from the passenger section.

The crash occurred at 0046 GMT as Northwest Airlines flight 255 took off in good weather at dusk.

Witnesses said that as the aircraft struggled for altitude it clipped an airport building housing a car rental firm then dived on to the four-lane highway.

Pilkington in $574m purchase

Continued from Page 1

feated a £1.2bn hostile bid from BTR earlier this year.

It will better than double Pilkington's turnover in the ophthalmics field and give it roughly 15 per cent of the worldwide ophthalmic market.

This acquisition follows a strategy outlined at the time of the bid, in which Pilkington said it would raise the profits contribution from ophthalmics and electro-optics to about 30 per cent of group total by the 1990s. This should now approach 16 per cent.

Pilkington has explained the move as a way to take advantage of its technological leadership in glass and plastic products and to capitalise on a growing market.

"We are getting older, and as we get older we require more eye care," said Mr Anthony Pilkington, the chairman, referring to the ageing of European and North American populations.

He also praised what he described as the excellent fit between Pilkington's existing ophthalmic businesses and the acquired companies.

The acquisitions immediately give Pilkington a complete range of ophthalmic products that it can graft on to the international distribution network established by its Sola subsidiary.

"We can take the products and grow the business much faster than it has grown under the Revlon management," said Sir Robin Nicholson, executive director.

Pilkington said the acquisitions would result in a dilution to earnings of about seven per cent, as it is paying about 20 times earnings for the businesses, compared to is own historical price earnings ratio of 13.

Some 70 per cent of the purchase is to be financed by a placing of 91.6m new ordinary shares at 290p each, subject to a clawback provisions by which shareholders may apply for one new share for each seven existing shares. This will raise £255m, net of expenses.

The balance of the acquisition is to be financed by existing cash and new borrowing. Pilkington's shares yesterday closed off 15p at 300p.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	30	86	Dubrovnik	S	25	79	Malta	S	31	88	Rhodes	S	28	82
Algiers	S	34	93	Edinburgh	R	19	66	Manchester	F	21	70	Rio de J'o	S	23	73
Amsterdam	S	25	77	Faro	S	28	82	Manila	S	34	93	Rome	S	31	88
Athens	C	27	81	Florence	S	34	93	Melbourne	S	12	54	Salzburg	S	26	79
Bahrain	S	37	99	Frankfurt	S	27	81	Mexico City	S	27	81	San Francisco	C	21	70
Bangkok	S	33	91	Funchal	F	26	79	Miami	R	34	94	Seoul	F	28	82
Barcelona	S	27	81	Geneva	S	27	81	Milan	S	28	82	Singapore	F	31	88
Beirut	-	-	-	Gibraltar	S	32	90	Montreal	R	23	73	Stockholm	F	17	63
Belfast	F	20	68	Glasgow	R	18	64	Moscow	C	19	66	Strasbourg	S	27	81
Belgrade	S	22	72	Guernsey	F	18	64	Munich	S	27	81	Sydney	C	17	63
Berlin	C	21	70	Helsinki	F	15	59	Nairobi	-	-	-	Taipei	C	35	95
Biarritz	C	20	68	H. Kong	F	28	82	Naples	S	33	91	Tangier	S	27	81
Bombay	C	29	84	Innsbruck	S	27	81	Nassau	R	32	91	Tel Aviv	F	30	86
Bordeaux	F	24	75	Inverness	C	21	70	New Delhi	-	-	-	Tenerife	S	25	77
Brussels	F	26	79	Islamabad	S	42	108	New York	R	28	82	Tokyo	F	33	91
Budapest	S	22	72	Istanbul	F	22	72	Nice	S	29	84	Toronto	R	19	66
B. Aires	C	19	66	Jakarta	S	34	93	Nicosia	S	39	102	Tunis	S	33	91
Cairo	S	34	93	Jersey	C	19	66	Oporto	F	22	72	Valencia	S	35	95
Cape Town	C	15	61	Jo'burg	S	16	61	Oslo	S	18	64	Venice	S	27	81
Caracas	C	26	82	Lima	-	-	-	Paris	S	24	75	Vienna	F	21	70
Casablanca	S	25	77	Lisbon	S	28	82	Peking	S	30	86	Warsaw	C	17	63
Chicago	S	27	81	London	F	22	72	Prague	F	23	73	Washington	F	26	79
Cologne	S	27	81	Los Angeles	C	30	86	Reykjavik	F	14	57	Zurich	S	[illegible]	81
Copenhagen	C	17	63	Luxembourg	S	25	77								
Corfu	S	30	86	Madrid	S	29	84								
Dallas	S	26	79	Majorca	S	31	88								
Dublin	C	22	72	Malaga	S	35	95								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

S Korean clashes

Continued from Page 1

presidential elections and other democratic reforms after weeks of clashes pn the streets.

Workers have taken advantage of the subsequent mood of greater freedom to demand what they say is a fairer share of the fruits of the country's dramatic economic growth.

A labour ministry spokesman said yesterday that the Government would not intervene directly in labour disputes but would act as a "fair coordinator."

Last week, Mr Roh Tae Woo, the ruling Democratic Justice Party's presidential candidate, said it would intervene only if protests were not peaceful.

Mr Roh added that labour and management should resolve disputes by themselves.

Since the start of July when the Government bowed to pressure for democratic change, there have been 772 strikes in almost all sectors of industry. Of those, 299 remain unresolved, the labour ministry spokesman said.

Yesterday, 58 disputes sprang up and 35 were resolved. However, an increasing number of strikes are taking place in smaller companies, the spokesman added.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday August 18 1987

Philips to spend $600m on buyback of US unit

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the big Dutch electronics group, plans to buy out the 42 per cent minority shareholding in its North American Philips subsidiary for about $600m.

Mr Cornelis van der Klugt, Philips' chairman, described the move as a step to meeting more effectively the competition in the increasingly global markets in which Philips operates.

"We will now be one unified company and one more able to compete on a global basis," he said.

The buyback of the 12m shares is the second major move in a year to rein in NA Philips, which historically has acted with a high degree of autonomy in corporate policy, product development and marketing strategy.

Until December 1986 NA Philips was part of the US trust established during the Second World War to protect Philips' assets. Today NA Philips includes brand names such as Magnavox, Sylvania, Genie and Philco and had sales of $4.5bn last year.

At the end of 1986 the trust was dissolved and its assets, including 58 per cent of NA Philips, were transferred to the Philips holding company in an effort to gain tighter control over the company.

One of Mr van der Klugt's main aims since taking over the helm at Philips has been to shape a close-knit and efficient concern that spans 60 countries worldwide and yet is strategically managed from Eindhoven, Philips' home base.

A parallel aim has been to penetrate the US market more deeply by increasing public familiarity with Philips' name and corporate image.

Heavy advertising campaigns and a shift to the big board from the Nasdaq for Philips itself have been major initiatives.

Philips makes and sells electronic products for consumers and professionals, electronic components, lights, and domestic appliances.

A public tender offer of $50 a share will be launched this week for the 42 per cent of NA Philips common stock not already owned. The cash price provides an 8 per cent premium over the closing price of $42 last Friday on the New York Stock Exchange.

Any stockholders failing to tender to FGP, the US company created to conduct the buyback, will automatically receive $50 for their shares after FGP is merged with NA Philips when the tender offer is completed.

Chapter 11 move by Todd Shipyards

By James Buchan in New York

TODD SHIPYARDS, the largest independent shipbuilder in the US, yesterday sought the protection of the bankruptcy courts for its deeply troubled shipbuilding and repair operations.

The Jersey City group, whose stock price collapsed with the loss of a $168m US Navy order in May, yesterday filed for protection for itself and its Todd Pacific Shipyards subsidiary under Chapter 11 of the Federal Bankruptcy Code.

The group, which lost $44m on revenues of $425m for the year to last March, said that it had received a commitment letter for a loan of $50m from Chemical Bank. But Todd Shipyards said that it may have to suspend all operations at its yards this month because it has failed to renew insurance cover for its workforce.

The company, which operates yards on the West Coast and at Galveston, Texas, has suffered deepening operating losses because of its shrinking order book and because of cost overruns on conversion and repair contracts and a strike in its Los Angeles boatyard.

Todd Shipyards last week rejected as inadequate a $110m offer from a Dallas-based investment group for its profitable Aro subsidiary, which makes air-powered equipment.

Todd Shipyards said yesterday that it had pledged the capital stock of Aro, which apparently made net profits of $7m on sales of $35m last year, to secure the Chemical Bank facility. Aro remains outside the bankruptcy proceedings.

The group's stock, which traded as high as $24 a share at the beginning of the year, fell $1 a share to $6¾ in early trading yesterday.

Robert Gibbens looks at Canada's C$2bn Placer-Dome Mine's union

A marriage with golden prospects

DESPITE a last minute challenge from an Australian-backed bidder, the marriage of Canada's Dome Mines and Placer Development into an international group with total market value of nearly C$6bn (US$4.51bn) and 1987 gold output of nearly 1m ounces has been swiftly consummated.

Geographically the two companies fit together easily, linking Dome Mines' extensive gold mining operations in eastern Canada with Placer's North American base metals and international gold mining interests.

But Dome Mines, which dates back to 1910, has been a conservatively run company linked in recent years to the troubled Dome Petroleum through a 19 per cent stock interest and a C$225m loan guarantee. Dome Mines stock has been depressed in the market by the Dome Petroleum connection – Dome Petroleum also held a 21.5 per cent interest in Dome Mines until the Dome-Placer merger.

Placer is a very different company. After a 20-year association with Noranda, another large resources group, it is now in the midst of an aggressive international expansion led by Mr John Walton, an engineer and former Brascan executive brought in as president in 1985.

When the two companies proposed a merger this summer, analysts suggested one motive was defence against takeover. They also stressed the difficulties of getting the two managements to work together from twin head offices in Vancouver and Toronto.

Their style was also very different. For a start, Dome Mines for years had been criticised for paucity of information it revealed about its operations.

The surprise came late in July with a C$450m cash bid for Dome Petroleum's holding in Dome Mines from Giant Yellowknife, indirectly controlled by the Ariadne group of Australia. This bid was engineered by Mr Clifford Frame, Giant Yellowknife president and former head of Denison Mines, who had just revived a major zinc silver-mine in the Yukon.

Dome Mines and Dome Petroleum directorships are interlocking and Mr Frame's bid stood little chance even though it offered cash to Dome Petroleum and its lenders.

The merger of Dome Mines and Placer has been achieved by a share exchange. The new Placer-Dome (with Mr Walton as president and Mr Fraser Fell, the lawyer who was Dome Mines' chief executive, as chairman) has immediately become part of the Toronto Stock Exchange 35-stock index. Combined assets of the group are more than C$2bn, revenues more than C$700m and annual profit from operations almost C$100m assuming present gold prices.

The company's Canadian gold mines include some of the highest and the lowest cost producers. It will restructure the old Dome Mines gold subsidiaries, integrate an indirect 25 per cent interest in the nickel-based Falconbridge, and reorganise oil and gas interests.

Dome Petroleum's interest is diluted to 8 per cent. If Amoco Canada's C$5.2bn bid for Dome Petroleum finally succeeds that holding will be sold.

The merged Placer-Dome reported net profit of C$99.7m or 46 cents a share in the first half this year on revenue of C$401m against C$102m or 51 cents a share on revenues of C$359m a year earlier, on the same basis.

The latest period includes special gains totalling C$85m compared with gains of C$78m a year earlier.

The company also said it will post a further special gain of C$55m in the third quarter arising from the C$226m financing of the big Misima gold project in Papua-New Guinea.

DOME PETROLEUM benefited from higher oil prices, lower production taxes, and lower depreciation in the second quarter, but greater output of gas and natural gas liquids was offset by lower prices.

It reported a net loss of C$46m (US$34.5m) in the second quarter, against a loss of C$110m a year earlier, on revenues of C$348m compared with C$339m. In the first half, Dome showed a net profit of C$31m or 7 cents a share against a loss of C$182m a year earlier. Revenues were C$736m against C$808m. Both periods include a C$31m tax credit.

The company said that exchange factors continue to distort the year to date results, and an unrealised gain on foreign exchange of C$116m in the first quarter has been reduced to C$69m as of June 30 because of the lower Canadian dollar in the second quarter.

Enron may float part of oil unit

By Our Financial Staff

ENRON, the Texas energy company known formerly as InterNorth, is considering a flotation later this year of up to 20 per cent of its Enron Oil and Gas unit.

The offer could be effective early in the fourth quarter, and proceeds would go primarily to repaying internal debt. Enron has exploration and production activities in the US, Canada and Ecuador, with proven reserves by end-1986 of 41.4m barrels of oil and 1.5bn cubic feet of gas.

The move would be one of several being made by the company to reshape its capital structure following the $2.4bn acquisition two years ago of Houston Natural Gas

Enron is today to begin an exchange offer providing common shares in place of a series of preferred stock.

Plenum sweetens Arthur D. Little bid

BY JAMES BUCHAN IN NEW YORK

PLENUM, the highly specialised and profitable scientific publisher, yesterday sweetened its approach to Arthur D. Little with a 10 per cent increase in its cash offer and substantial reassurances to the senior employees of the venerable Cambridge, Massachusetts consulting firm.

Plenum, whose first offer was received in the industry with little short of derision, yesterday announced that it was offering $55 a share for the 70 per cent of Little held by Memorial Drive Trust, a retirement fund for the firm's employees whose trustees include current management.

Plenum's original offer for the firm last month of $50 a share, or about $128m, was brusquely rejected as inadequate by both the Little board and the fund's trustees.

In a letter to the trustees yesterday, Mr Martin Tash, chief executive of Plenum, repeated his pledge to operate Little as a separate subsidiary and maintain the independence of its consultants.

In addition, Mr Tash offered yesterday to set up an advisory committee with senior Little consultants holding the majority and "responsible for attracting world class leadership for Arthur D. Little."

Little's small float of public stock yesterday jumped $5 to $45 in early trading. This is much lower than the $55 a share offer, suggesting that the stock market remains sceptical that Plenum can succeed.

The company last week reported second-quarter profits of $4.1m or 71 cents a share

Bear Stearns boosts earnings by 153%

BY RODERICK ORAM IN NEW YORK

BEAR STEARNS, the Wall Street securities firm, has reported a 153 per cent increase in first-quarter profits due in part to successful trading on its own account. Difficult market conditions have caused some of its competitors to suffer large losses from such activities in recent months.

It turned in net profits of $47.9m, or 53 cents a share, for the three months ended July, compared with $18.9m, or 22 cents a share, a year earlier. Revenues rose to $482.7m from $334.1m.

"Our core businesses continued to produce revenues at high levels while our systems of risk control and internal control have allowed us to generate positive results in market areas which recently have been subjected to severe volatility," said Mr Alan Greenberg, chairman.

Revenues from principal transactions rose 95 per cent to $111m from $57m a year earlier and $107m in the fourth quarter ended April. Investment banking revenues for the quarter were $63m, up from $61m a year earlier

K mart posts record second-quarter result

BY DEBORAH HARGREAVES IN NEW YORK

K MART, the world's second largest retailer, posted record second-quarter earnings of $145.4m, or 71 cents per share from continuing operations, an increase of 22.5 per cent from $118.6m, or 59 cents a share, in the 1986 period.

Per share figures were adjusted for a three-for-two stock split in June, the company said. Sales for the second quarter, that ended on July 29, were at $6.30bn, up from $5.80bn

K mart reported income of $260.9m, or $1.28 a share, from continuing operations in the first half, an increase of 23.9 per cent over the year-ago period.

These results were on sales of $11.9bn, up from $11bn in the previous first half.

Although reporting record earnings, the company's first half figures are slightly off-course for its full fiscal year forecast of $3.30 income per share.

K mart has also to contend with large earnings increases recorded by other retail firms, notably Wal-Mart Stores

INTERNATIONAL COMPANIES and FINANCE

Goldstar lifts first half profits by 89%

By Richard Gourlay in Seoul

EARNINGS FOR some of South Korea's top companies rose sharply in the first half of the year and averaged a 25-30 per cent increase year on year after a 17 per cent rise in sales, brokers and Korean business interests said yesterday.

Of the four companies that have issued convertible bonds, Goldstar, the country's second-largest consumer electronics company, performed best with an 89 per cent increase in earnings to Won15.7bn ($20m) on a 25 per cent increase in sales. Daewoo Heavy Industries lifted earnings by 31 per cent to Won3.7bn, on a 21 per cent increase in sales.

Samsung Electronics, the sector's largest company, increased earnings 15 per cent to Won24bn on a 15 per cent increase in sales, and Yukong, the oil-based company, increased earnings by 17 per cent to Won24bn, on a 3 per cent increase in sales.

Analysts said low international interest rates, the strong Japanese yen and low oil prices helped earnings, as well as a stronger won, which cut prices of imported raw materials but which were not passed on to consumers. The stronger won is expected to hit earnings in the second half when it feeds through to lower exports. Performance will also suffer from the recent spate of strikes that has brought large sections of Korean industry to a standstill.

Samsung Co, the conglomerate's trading arm and South Korea's largest company, increased earnings by 16 per cent to Won4bn, on a 21 per cent increase in sales, while earnings for the second largest company, Hyundai, fell 31 per cent to under Won1.5bn, on a 30 per cent increase in sales.

Analysts say companies frequently understate their first-half earnings for tax purposes, and would also have been higher if the companies reported on a consolidated basis rather than on a "parent basis." Some of the major companies have not yet reported six-month figures as they do not have December year-ends.

Orient Overseas returns to the black with $5m

BY KEVIN HAMLIN IN HONG KONG

ORIENT OVERSEAS HOLDINGS, the quoted arm of the C. H. Tung shipowning group, which was rescued from collapse by a $2.9bn capital restructuring completed in January, has returned its first bottom-line profit since 1984, when a depression in the shipping industry plunged it deep into the red.

The company recorded a net profit of $5.2m in the first six months of this year, compared with a $39.2m loss in the first half of 1986. Orient's operating profit before interest was a fairly healthy $32.9m, compared with $10.5m in the first half of 1986.

Mr C. H. Tung, chairman and chief executive, commented that freight rates on the company's major trade routes had improved, and he added that "strong growth in the economies of the Pacific basin countries should result in continuing profits for the remainder of 1987."

"Although the shipping industry as a whole remains generally weak, there are signs of improvement in most sectors and our core business of integrated containerised transportation performed satisfactorily in the interim period," Mr Tung said.

Containerised transportation contributed $34.3m to the operating profit before interest, tankers and bulk carriers $3.1m property $2.4m.

Orient Overseas International (OOI), the group's main operating subsidiary, which began operations when the restructuring was finalised, recorded a net profit of $27.7m for the same period.

Lau makes offer for Evergo

BY OUR HONG KONG CORRESPONDENT

AN OFFER to acquire all shares and warrants in Evergo Industrial Enterprise, a manufacturing and investment holding concern, has been made by Mr Joseph Lau, its chairman.

Mr Lau acquired an additional 4.34 per cent of Evergo from an unnamed party at HK$0.88 per share last Friday, taking his stake to 38.96 per cent. Under Hong Kong's securities ordinance, a full bid is triggered when a shareholder controls more than 35 per cent.

The offer made by Mr Lau is, however, considered unlikely to appeal to shareholders. He is offering HK0.88 per ordinary share, HK$0.05 for each 1990 warrant, and HK$0.25 for each 1994 warrant.

Shares in Evergo and its subsidiaries were suspended from trading on the territory's stock exchange yesterday, but they closed Friday at HK$0.90 each. Analysts calculate that the company's current net asset value exceeds HK$1 per share. Mr Lau's offer values the company at HK$2bn (US$256.4m).

This latest development follows the placement last week of a 13 per cent chunk of Evergo Group shares by Mr Oei Hong Leong, chairman of Singapore-quoted United Industrial Corporation (UIC) also at HK$0.88 per share. The Lau family has denied that it bought the shares.

In February, Evergo acquired a 20 per cent stake in UIC, with that company in turn taking a 9 per cent holding in both Evergo, and its China Entertainment subsidiary. The transaction was seen as strengthening the control of Evergo in "friendly" hands.

The Lau family offloaded the stake in UIC just two months later, as they had become embroiled in a battle for control of Hongkong and Shanghai hotels.

Jordan state airline sees surplus for full year

JORDAN'S NATIONAL Royal Jordanian Airline, due to start going private in October, expects to move into profit this year after losing about Dinars 1.78m ($5.1m) in 1986.

Mr Nasir Aryne, vice-president for corporate planning, forecast a net profit of Dinars 4m, on the basis of the first seven months' results this year, excluding foreign exchange profits or losses, Reuter reports from Amman.

He said part of this would be proceeds from the sale to British Caledonian of one of the airline's two Boeing 747s. The rest would derive from operating profit, projected at Dinars 1.8m this year, and non-operating profit, mainly from handling services to foreign airlines flying to Jordan.

Passenger traffic rose slightly to 653,724 in January-July, from 647,493 in the same period of 1986.

UIC gets green light for First Capital bid

UNITED INDUSTRIAL CORP says the Securities Industry Council (SIC) has approved its offer to take over First Capital through a share swap, Reuter reports from Singapore.

The SIC confirmed that UIC need not provide a cash alternative for its bid to exchange one new UIC share for every two FCCL shares, UIC said in a statement.

Markets react favourably to NZ election

By Dai Hayward in Wellington

NEW ZEALAND'S financial markets and stock exchange reacted positively to the news of the Labour Government's election victory.

There were frantic scenes when the stock exchange opened on Monday morning, with all leading shares increasing in hectic trading.

The New Zealand dollar rose by more than a cent from its closing price on Friday of 58.25 cents. Wholesale money market rates fell by between a quarter of one per cent to half of one per cent.

The markets regard the Labour victory as good news because of the freedom and consistency that the Labour Government's economic policies and free market philosophy have brought to the financial sector.

Mr Roger Douglas, the Finance Minister, says there will be no change to Labour's economic plans.

Market analysts say the value of the New Zealand dollar will be affected even further when foreign markets have had time to consider the implications of the Labour Government's victory.

- Pacer Pacific and Chase, both listed New Zealand companies, have reached an out-of-court settlement over the disputed ownership of Kerridge Odeon, an entertainment concern. In a joint statement, they said all litigation between the parties had been withdrawn.

Spokesmen for both Pacer and Chase said the settlement was amicable and arrangements had been made allowing Chase and Kerridge to work together on development of selected Kerridge properties.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Investors lap up fixed-rate issue by Coca-Cola bottler

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE EUROBOND market showed yesterday that it has not lost its liking for a sparkling name. A fixed-rate dollar issue for Coca-Cola Enterprises, launched into a market still decidedly lacking fizz, was lapped up and increased from $100m to $150m.

The issuer, which bottles most of the eponymous drink, is 49 per cent owned by Coca-Cola after being spun off last year. The market was already offering a sign that a new deal would be well received, with a $100m three-year issue made earlier this year traded with a yield flat on US Treasuries.

Credit Suisse First Boston launched yesterday's five-year deal with a yield margin of 58 basis points over US Treasuries, with a coupon of 8⅞ per cent and price of 101⅛.

For a borrower rated A2 by Moody's Investors Service and AA minus by Standard & Poor's, these terms might in normal circumstances be viewed as aggressive, given the uncertain investor appetite for dollar bonds. However, the magic of the name exerted its power and the issue was bid at 1¼ points below issue price, within the 1⅞ per cent total fees.

CSFB also led the day's other main issue, a $400m convertible deal for Hawley Group, the Bermuda-domiciled services group headed by Mr Michael Ashcroft. The 15-year issue of convertible cumulative redeemable preference shares was assigned an indicated dividend of 6 per cent and a conversion premium of 18 to 22 per cent.

INTERNATIONAL BONDS

Investors will have a put option after seven years — a longer period than most puts — giving a yield of about 10 per cent and the issue is also callable from seven years onwards, beginning at 107. Though the issue is to finance a takeover bid for ADT, a US burglar alarm company, it is not conditional upon the bid going ahead.

It was quoted 1¼ points below issue price, compared with total fees of 3 per cent including a 1⅞ per cent selling concession.

The Canadian dollar sector saw a C$100m issue for Nordic Investment Bank, aimed at retail investors and with a three-year maturity — shorter than last week's crop. Prudential-Bache Capital Funding set the coupon at 10 per cent with a price of 101.15, giving a yield 48 basis points over Canadian Treasuries, and the issue met fair demand.

Nikko Securities led a $130m bonds-with-warrants deal for Sanyo-Kokusaku Pulp, with a 3¼ per cent coupon and par pricing.

In Switzerland, bond prices were narrowly mixed. In West Germany domestic bonds improved and a new DM 2bn 10-year 6⅛ per cent Federal Railway issue was announced. It was bid 1¼ points below its par issue price and offered at ¼ below to give a yield equal to bank bond rates. D-Mark bonds were a quarter point higher on short covering in more active business.

See Lex

Heavy demand for Petrocorp

By Our Financial Staff

MORE THAN 27,000 New Zealand investors have applied for 75m shares in Petroleum Corporation of New Zealand. This is three times the number offered to the public.

Petrocorp, which is state-controlled, said applications for up to 1,000 shares would be met in full, while others would be scaled down to a maximum of 1,5000 shares.

It said it returned applications from institutional investors for 22m shares from the public pool. The 44m shares Petrocorp placed with brokers for allocation to companies were all taken up.

Swap market expansion continues in first quarter

BY OUR EUROMARKETS EDITOR

THE EXPANSION of the swap market, which has grown sharply over the past two years, continued in the first quarter of 1987 with newly-arranged US dollar interest rate swaps totalling a record $57.4bn.

The New York-based International Swap Dealers Association's quarterly survey found that 2,428 new swap contracts were executed during the quarter by the 40 major dealers which participated in the survey.

The volume of new business has more than doubled since the third quarter of 1985, for which 27 dealers reported swaps totalling $25.8bn. In the fourth quarter of 1986, $49.5bn of new business was contracted.

Behind the latest increase was a large rise in inter-dealer volume. There was also greater international participation with non-US counterparties accounting for 61 per cent of the volume. European counterparties took 30 per cent and Asian 28 per cent.

Financial institutions continued to play the largest role, accounting for 64.5 per cent of new swaps, with corporations 27 per cent and governments and supranationals 8 per cent.

First-half slowdown for Saga Petroleum

By Karen Fossli in Oslo

SAGA PETROLEUM, the independent Norwegian oil company, posted half-year profits of NKr 253m ($36.7m) before extraordinary items, compared to NKr242m in the same period of 1986. Operating profits for the first half totalled NKr62m compared to NKr70m.

The company expects operating profits for the full year to fall short of those achieved in 1986. Mr Ashjorn Larsen, president, says that profit before extraordinary items is expected to reach NKr 400m for 1987, compared with NKr 537m in 1986.

Although the half-year figures are lower, Saga says that last year's figures were helped by forward sales of crude oil and forward contracts on the dollar which were concluded in 1985. In the first half of 1987, currency gains of NKr 189m were realised from these contracts, says Saga.

Late last month Saga sought an unsecured $1bn loan facility in an attempt to add flexibility to its financing arrangements. The loan will replace an existing loan signed in 1985 of which $505m has been drawn.

Last week Den norske Creditbank, Norway's largest bank, became the third largest shareholder in Saga, behind Sweden's Volvo which has 20 per cent and Aker-Noreem which also has 20 per cent. DnC purchased 9.3 per cent of Saga for a reported price of NKr 315m.

Danish sugar group maintains 12.5% payout

By Hilary Barnes in Copenhagen

DE DANSKE Sukkerfabrikker (DDS) maintained an unchanged 12.5 per cent dividend despite a decline in net profits from DKr 243m to DKr 171m ($27.5m), which was DKr 30m less than forecast in a preliminary statement in June.

The sugar, paper and engineering group carried a DKr 226m extraordinary loss, mainly arising from claims in the US against Pasilac Danish Turnkey Dairies, the dairy design and equipment company, which was sold to APV Baker of the UK on April 30.

Operating profits were an unchanged DKr 391m on sales down from DKr 8.55bn to DKr 6.91bn. The reduction in sales reflects the fact that Pasilac was not consolidated in the group accounts for last year. ended June 30.

A durable improvement in group profits is predicted by the group, and these will begin to show up in 1987-88, said the preliminary statement.

Record private bond offerings in Japan

By Yoko Shibata in Tokyo

JAPANESE corporations are rushing to raise funds through private bonds following the deregulation of Tokyo's financial and capital market. In July a total of 110 corporations raised Y24.1bn, an all-time monthly record and a total of Y50bn is expected for the August and September two months.

In aggregate some Y100bn could well be raised for the April-September six months, double the level of the corresponding period of the previous year, according to the banking industry estimates.

Private bond issues are corporate bonds placed with 50 investors or less, arranged by Japanese banks and life insurance companies. Private bonds are attractive for medium and small corporations because they cut costs through lower disclosure requirements.

Japan's long-term prime lending rate was raised by 0.2 percentage point to 5.2 per cent on August 1. Japanese corporations, anticipating a further hike in interest rate and higher loan costs, have been rushing to obtain long-term funds through private placement before further rate increases.

Banks meet on BankAmerica

By Our Tokyo Staff

JAPAN'S nine major commercial banks, including Mitsui Bank and the Industrial Bank of Japan, have met to discuss BankAmerica's plans to raise $250m through a subordinated capital notes issue in Japan. The banks confirmed that they will subscribe to the capital notes, but no agreement was reached on specific amounts. They will meet again on August 25.

Recently, BankAmerica sweetened its interest rate on the subordinated bonds to 1.25 per cent, instead of the initially proposed 1.0 per cent, and eliminated the rate range.

Asea to control Electrisk Bureau

BY KEVIN DONE IN STOCKHOLM AND KAREN FOSSLI IN OSLO

ASEA, the Swedish electrical engineering concern, is to acquire a majority stake in Elektrisk Bureau (EB), the Norwegian electrical engineering and telecommunications group, in a deal worth NKr 1.4bn ($203m) as the first stage in a far-reaching shake-up of the Norwegian electrical engineering industry.

The takeover of EB is the first direct consequence of last week's dramatic announcement that Asea and Brown Boveri of Switzerland are to merge their worldwide operations in a jointly-owned concern, Asea Brown Boveri, which will become the world's biggest electrical engineering concern.

In a subsequent step EB will take over Asea's wholly-owned Norwegian subsidiary Asea-Per Kure and Brown Boveri's 52.5 per cent owned Norwegian subsidiary NEBB in moves that will create the largest privately-owned company in Norway with annual turnover of more than NKr 10bn ($1.45bn) and a workforce of around 15,000.

EB, which initially will be 63 per cent owned by Asea, will be given worldwide research and development and business responsibility within the Asea Brown Boveri concern for the marine and offshore sectors, hydroelectric power and telecommunications. It will account for around 10 per cent of the new Asea Brown Boveri group.

Mr Percy Barnevik, Asea chief executive, said yesterday that he had given an undertaking to the Norwegian government that EB would remain a Norwegian quoted company with a substantial outstanding minority shareholding. The deal must first be approved by the Norwegian government under legislation which limits foreign holdings in Norwegian corporations.

Mr Barnevik said that it had not yet been decided whether EB would subsequently bid for the 47.5 per cent outstanding minority holding in NEBB, Brown Boveri's Norwegian subsidiary.

Asea, which bought an initial 20 per cent holding in EB last year for NKR 378m in a directed share issue, said that it had reached agreement with Investa, the Norwegian investment company, to buy a further 43 per cent stake for NKr 1.4bn. It is to pay NKr 350 per share, a 26 per cent premium over the market price. Initial contact for the deal was made last Wednesday, and it was concluded over the weekend.

Investa will retain a stake in EB of around 8 per cent, while a further 8 per cent is held by an investment company within the Swedish Wallenberg sphere, which also controls around a quarter of the voting shares in Asea.

Mr Barnevik said the new EB group would have an overall market share in Norway of 60 to 70 per cent and a monopoly position as a domestic manufacturer in some products.

The Norwegian electrical engineering sector was previously highly splintered. but in the wake of the EB deal the only substantial local competitor remaining for Asea Brown Boveri will be the local subsidiary of Siemens of West Germany.

Asea has for long dominated the Swedish market, and last year it took over the leading position in neighbouring Finland through the acquisition of Strömberg, the biggest Finnish electrical engineering group, as part of its strategy to create a domestic market in the whole of the Nordic region.

As a by-product of the EB takeover, Asea will also acquire an important stake in the Norwegian telecommunications market, where EB represents Sweden's Ericsson and is a supplier of Ericsson's AXE digital public switches to the Norwegian PTT.

Mr Kjell Almskog, EB chief executive, said that the co-operation with Ericsson in telecommunications and office automation would continue "as an important cornerstone in EB strategy."

EB, which has forecast profits of NKr 250m to NKr 270m for 1987 on sales of more than NKr 6bn, last year derived some NKr 1.58bn of sales from telecommunications, and NKr 725m from cable.

Net earnings rise at DSM despite lower revenues

BY LAURA RAUN IN AMSTERDAM

DSM, the Dutch state-owned chemicals group, said net income jumped by 17 per cent to Fl 251m ($118m) in the first half of this year from Fl 215m a year earlier despite sharply lower revenues, mostly thanks to inventory revaluations.

An upward revaluation of supplies in the plastics division and lack of devaluation in agricultural chemicals allowed operating profits to rise even though total turnover fell by 28 per cent. Profit margins continued at a relatively high level due to cost-cutting in previous years and a shift to higher value-added products, although margins were lower than in the first half of 1986.

Mr L. J. Ligthart, executive vice president in charge of natural gas, said yesterday that DSM had a "good first half behind its back" with a sizeable climb in profits and a good yield on assets. He said the Heerlen-based company now expects earnings for all of 1987 to be "clearly above" the Fl 412m of last year, with the second half about matching the year-earlier period.

Operating profits rose by 18 per cent to Fl 509m largely on a doubling of earnings in the plastics division and a move into the black in the agricultural chemicals division, which lost money a year earlier.

Total revenues fell to Fl 7.6bn in the January-June period from Fl 10.58bn as lower oil prices and the weaker dollar depressed selling prices. Sales in industrial activities fell 6 per cent to Fl 4.5bn while turnover in natural gas dropped by 47 per cent to Fl 3.1bn on 50 per cent lower prices, which follow oil with a time lag. DSM operates as the trustee for the Dutch government's large gas exploitation activities.

Mr Ligthart said "the ball is back in the government's court" as far as plans to privatise DSM are concerned. DSM has said it is prepared to sell part of the concern to private investors but the centre-right government has yet to announce firm plans to spin off its holding.

Growth in German profits expected to accelerate

BY ANDREW FISHER IN FRANKFURT

COMPANY earnings in West Germany are set to move ahead much more snappily in 1988 after virtually stagnating this year, according to bank forecasts here.

Citibank AG expects aggregate earnings growth of around 6 per cent after only 1.5 per cent this year and a 1.5 per cent drop in 1986, while the Metzler private bank reckons economic progress "should permit a revival of optimism regarding profits."

"After two years in the doldrums," said Citibank in its latest monthly investment letter, "German corporate profits are set to show a significant improvement in 1988."

Private consumption would remain the mainstay of economic growth, it added. Hence it saw the department store and specialist retail sectors as again offering the chance of consistent high growth. For stores alone, it estimated earnings growth of 26 per cent against 34 per cent in 1987 and 64 per cent last year.

The estimates by the Frankfurt offshoot of Citicorp of the US were based on:

- The dollar stabilising this year and firming slightly in 1988 to trade between DM 1.80 and DM 2.00. (Yesterday, it was just below DM 1.88.)
- The German economy growing next year at 2.3 per cent after only 1.3 per cent in 1987. (The Government is going for 2.5 per cent in 1988, but the IFO economic institute expects just 1.75 per cent.)
- Exports picking up as a result of stabler currencies and corporate investment thus being increased.
- Private consumption again rising by 2.5 per cent, aided by planned tax cuts.

Among other major industrial sectors, Citibank reckoned that motors, hit this year by the D-Mark's continued advance, would show overall earnings growth of 6 per cent (1.5 per cent in 1987), chemicals 5.5 per cent (8 per cent) and machinery 9 per cent (1.1 per cent).

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 17

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅞ 96	100	†102¼	102¾	−0⅛	−1¼	5.41
Amer. Corp. 5¾ 01	200	†92¾	93¼	+0⅛	−0⅞	6.01
Baker Int. 4½ 96	200	†87	88	0	−2	5.99
Carlsberg 5 96	80	†103¾	103¾	+0⅛	+0⅛	4.55
Chugoku 5¼ 94	90	†102	103	−0⅛	−0⅛	4.94
Deutsche Bk. Fin. 5⅛ 95	100	†104¾	105¼	−0⅛	−0⅛	4.56
EIB 4½ 97	200	†98	98½	−0⅛	+0⅛	4.85
Glendale F. S. & L. 5½ 95	100	†102½	102	−0⅛	−0⅛	5.23
Hoogovens 5⅞ 98	120	†98¾	99¼	−0⅛	−0⅛	5.25
Industrial Credit 5¼ 96	75	†98	98¾	−0⅛	−1½	6.01
Japan Dev. Bk. 5⅛ 97	100	†102¼	102½	−0¼	+0⅛	4.80
Oberos. Khwk. 5⅜ 95	100	†104¼	105¼	0	−0⅛	4.92
Olivetti Intl. 5½ 95	100	†104	104½	−0½	−1¼	4.84
Pepsico 5¼ 95	150	†104	104½	−0⅛	−0⅛	4.57
Prov. of Manitoba 4⅞ 94	200	†102¼	102½	0	−0⅛	4.40
Ralston Purina 5⅞ 94	125	†103½	105¼	0	+0⅛	4.77
Settsu Euro. 0 01	100	†47¼	47½	0	−0¼	5.56
Tohoku Elec. Pwr. 4⅞ 96	100	†97½	100	0	+0½	4.81
USX Corpn. 5¼ 98	100	†97	97½	−0½	+0¼	6.30
World Bank 5¼ 94	150	†104¼	105	−0½	−0⅛	4.94

Average price change on day −0⅛ on week −0⅛

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week—Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; J. Henry Schroder Wagg and Co.; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

Unilever advances 20% to £373m

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

AN EXTENSION of the truce in US promotional battles and progress with the integration of its Chesebrough Pond's acquisition helped Unilever notch up a further 20 per cent increase in pre-tax profits during the second quarter of 1987.

The Anglo-Dutch consumer products group's sales rose from £4.38bn to £4.6bn for the comparable part of 1986, yielding pre-tax profits of £373m against £310m. Earnings per share were 10.83p (8.95p).

Although some momentum appeared to have been lost—profits were up 48 per cent in the first quarter—the company confidently predicted results for the year would be "significantly better" than the £1.14m profit reported in 1986.

Pre-tax returns of £722m for the first six months were still 32 per cent ahead of last year's half-time figure.

Although Unilever had forecast that profits growth for the rest of the year would probably be slower than in the first quarter, the City had been expecting a pre-tax figure closer to £400m.

The group said operating profits rose 24 per cent, thanks mainly to improved margins, sustained volume growth, and the impact of recent acquisitions.

A third of the improvement stemmed from European operations, where returns at the operating level rose from £181m to £241m. Most progress was made in the edible fats and dairy sector, detergents and speciality chemicals.

Just over 40 per cent of the increase in operating profit came from North America, which showed a 4 per cent increase in volume sales. Contributions from Chesebrough Pond's helped reduce the effects of losses from the Lever Bros personal products business.

As in the first part of the year, second-quarter marketing expenditure in the US was lower than in 1986, when Unilever was spending heavily on promoting Surf detergent and Snuggle fabric conditioner.

However, the bills will be higher in the third quarter, the company said, as more products are rolled out of regional test markets. The personal products business is also expected to improve as the integration of Chesebrough is completed.

Business continued to pick up in Japan, where Timotei shampoo and Fafa fabric softener are being promoted heavily and are selling well.

However, results from the rest of the world were hit by economic troubles in Brazil, and difficulties in francophone West African countries.

Group operating margins reached a record 8.5 per cent during the quarter, just beating the 8.4 per cent set in the first part of the year.

See Lex

Remnant denies it plans to liquidate trusts

Lord Remnant, chairman of Touche Remnant, denied yesterday that the fund management group was planning to liquidate four of the group's 11 investment trusts.

Thornton Management is currently bidding for the TR Pacific Basin Trust and Touche Remnant is considering plans to help shareholders realise the net asset value of the trust, in an attempt to defeat the bid.

If those plans prove successful, the boards of the other investment trusts will be able to take advantage of the proposals. But there is a lot of difference, Lord Remnant said, between making the proposals available to the trusts and recommending, or encouraging them, to implement the plans.

Delta/Scholes

Delta Group and George H. Scholes issued further statements yesterday as their £70m bid battle rumbled on.

Delta said that there had been positive and constructive dialogue between Mr Geoffrey Wilson, its chairman, and Mr Reginald Harrington, the managing director of Scholes, about the key technical and commercial aspects of the bid. But Scholes said that talks had taken place only at Mr Wilson's request and that despite the discussions, it still felt the offer had no commercial or financial logic.

Scholes conceded yesterday that some family shareholders, holding 5 per cent of the equity, were supporting Delta but said that firm undertakings from other members of the family, owning 20 per cent of the shares, had been received.

Electronics upswing raises BSR interim profits by 58%

BSR INTERNATIONAL continued its recovery by raising pre-tax profits by 58 per cent to £5.7m for the six months to June 27. Last year's interim profit was £3.6m compared with a £3m loss for the comparable period in 1985.

Turnover showed a reduction from £149.1m to £93m reflecting a business disposal.

The interim results continue the pattern of 1986 in which pre-tax profits rose to £11.7m compared with restated pre-tax losses of £7.4m the previous year.

Mr Bill Wyllie, chairman, said that the now much slimmer group had derived full advantage from the upswing in the electronics industry worldwide.

"It is pleasing to note that all group businesses traded profitably and that the Stourbridge plant which is now totally dedicated to electronics manufacturing, has returned to profit after several years of lacklustre performance," said Mr Wyllie.

The second half of the year had started encouragingly and demand for the majority of the group's products was running at a satisfactory level.

"The remainder of the year, therefore, looks rbight and it is expected that the results for the full year will show a significant improvement over those of 1986," said Mr Wyllie.

Due to the exclusion of the Capetronic businesses, which were sold at the end of 1986, turnover for the first six months declined by 38 per cent compared with the same period last year. However, operating

Bill Wyllie, BSR chairman

profits of £5.7m were only marginally lower than the previous figure of £5.9m.

Electronics and computer peripherals contributed £4.2m (£2.7m) to operating profits, sound and vision £800,000 (£1.6m), communications £400,000 (nil), housewares £300,000 (£100,000) and industrial nil (£1.5m).

An extraordinary profit amounting £4.1m arose principally from the disposal of the group's 40 per cent shareholding in Tenby Industries, bringing the total profit attributable to shareholders to £9.4m (£3.8m).

Place head ahead of text and xheads.

Net interest payable was £500,000 compared with £2.4m for the same period last year due t othe group's improved cash position.

Earnings per share worked through 56 per cent higher at 3.15p (2.02p) after tax of £400,000 (£600,000) and minorities last time of £300,000.

An iterim gross dividend of 0.65p (0.6p) per 10p share is declared.

comment

A much tidier BSR is now emerging — although these interim figures make it hard to quantify just how much the disposal of the debt ridden Capetronic business helped at either operating or pre-tax levels. Growing demand for power supply units, a better quality (majors rather than many minows) customer profile, improved margins (up almost two full points to 7.7 per cent in the electronics division) and a less hostile currency position have all combined to boost the group's Astec core. Net debt has been reduced to negligible proportions by the £26m proceeds from the Capetronic sale and the disposal of 40 per cent holding in Tenby. Houseware subsidiary Swan should be floated next spring—but not before this division is expanded by the acquisition of Italy's Girmi at a cost of some £10m —and this could add about about £15m to a warchest likely to be at least £10m thanks to internal cash generation. This year £18.5m is in view which puts the shares at 124p on a prospective p/e of 12. This rating, plus the strengthening of the board announced yesterday should be enough to encourage BSR's supporters.

Beecham selling US offshoot for £77m

By Richard Tomkins

BEECHAM, pharmaceutical and consumer products group, yesterday marked the completion of its withdrawal from the home improvement products market with the announcement that it had agreed to sell DAP, its US fillers and adhesives operation, for $123m (£77m) in cash.

Ohio-based DAP has been sold to USG industries, building products company owned by the Chicago-based USG Corporation. Completion is expected on September 1.

DAP employs about 700 people making and marketing caulks, sealants, fillers, adhesives and speciality paints in the US and Canada. In the year to March 1987 it made pre-tax profits of $12m on turnover of £131m, and its net book value at the year end was £54m.

Beecham said the proceeds would be reduced by certain environmental clean-up costs at DAP's manufacturing plants and at the plant at Kalamazoo, Michigan, which it was retaining.

However after all costs the proceeds were still expected to exceed $100m, and after writing off these costs and the balance of goodwill, Beecham expected to make a small profit on the transaction.

The disposal is another step in the programme to concentrate on core businesses in the health and personal care product sectors. In April Roberts Consolidated Industries, a group of floor covering accessory companies based in Los Angeles, were sold for $45m.

The company said that when the sale of DAP was complete, it would have received about £150m from the sale of all the home improvement businesses it acquired between 1983 and 1986. It would have more than recovered its investment in the businesses after costs.

Smith share issue taken up by 48%

Shareholders in Smiths Industries, the aerospace and industrial products group, applied for just 48.2 per cent of the shares offered to them as part of the group's financing of its £219m takeover of Lear Siegler's avionics' business.

The issue had been conditionally placed with institutions and other investors at the time the bid was announced and they will take up the balance not going to shareholders.

Investors generally tend to take up a lower proportion of shares offered to them as "clawback" from a conditional placing, since there are no saleable "nil paid" rights attached to such shares and they are usually offered at a price much closer to the market price.

The Smiths shares were offered at 310p, which compares to last night's closing price of 309p, down 3p.

Link Analytical buys 75% of X-Tech

Link Analytical, the scientific instrument company of UEI, has acquired 75 per cent of the issued share capital of a Californian-based company, X-Tech, which manufactures X-ray tubes. The continuing president and founder, Mr Bill Hershyn, will retain 25 per cent.

One of several areas of Link's sales expansion is taking place in its range of X-ray fluorescence equipment, which is used for accurate and quick materials analysis.

Cable & Wireless sells US offshoot

Cable & Wireless has sold C. & W. Incotel, a wholly-owned US subsidiary, to Lane Telecommunications of Houston, Texas.

The consideration amounts to less than 1 per cent of group net assets, and the purchase should be completed within 10 days.

Huntindon Intl.

Huntingdon International has entered discussions with a view to acquiring WTI, a company engaged in the provision of engineering consultancy and chemistry services.

WTI operates mainly in Arizona, Nevada and New Mexico. Its revenues in the year to December 26, 1986 were approximately US$16.5m (£10.4m).

Inv. Tst. Guernsey

The Investment Trust of Guernsey raised net asset value per share from an adjusted 40.8p to 56.8p over the year to June 30 1987. Net revenue for the half year to end-June rose from £410,000 to £456,000 after tax of £136,000 against a previous £122,000.

The interim dividend is lifted to 0.55p (0.5p) from earnings of 0.65p (0.6p). The trust expects to recommend an increased final.

Steven Butler on Pilkington's £361m US expansion

A vision of the future

THERE SHOULD have been little surprise in yesterday's announcement that Pilkington is expanding its ophthalmic division with the $574m (£361m) purchase of Vision Care from Revlon.

Yet the acquisition is important because it is the most decisive step Pilkington has ever taken to broaden the group and reduce dependence on its traditional markets of flat and safety glass, which last year accounted for 50 per cent of worldwide sales and 83 per cent of group pre-tax profits.

It is indicative of this that Pilkington invited securities houses to send to its briefing, analysts with expertise in high technology, particularly opthalmics, and not just the usual building industry buffs, who know much about business cycles.

It is also telling that Pilkington is paying about 20 times earnings to buy the Vision Care businesses, compared to its own p/e of 13 based on historical earnings.

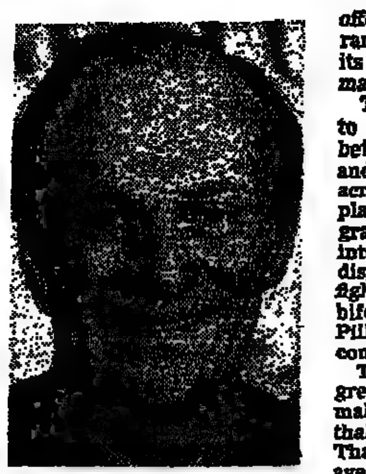
High technology is to lead Pilkington's way to the future, and high technology does not come cheap.

The immediate effect of the acquisition will be to dilute Pilkington's earnings by 7 per cent, according to the company. This assumes that the profits of Vision Care will return to 1985 peaks, after a setback in 1986, and a 40 per cent tax charge.

But Pilkington is quick to point out that these calculations are pre-"synergy," a phrase that has come to justify nearly all acquisitions these days, but that in this case, appears to have considerable merit.

"This is really a remarkable fit with the rest of the group," said Mr Peter Grunwell, finance director, yesterday.

Where Pilkington was strong



Anthony Pilkington, chairman of Pilkington

in hard, gas-permeable contact lenses, Barnes-Hind is a leader in soft daily wear and extended wear lenses. The Barnes-Hind lens solutions add a key marketing element to the Pilkington lenses, since customer loyalty to branded solutions typically begins at the ophthamologist's office at the time of prescription.

The glove-in-hand fit runs through the range of products, and with Coburn, Pilkington is picking up a company that supplies 90 per cent of the US market for lens processing equipment and accessories.

Aside from the product fit, the geographic complementarity is such as to make Pilkington an immediate major player in the US market, while giving it a range of new products to market worldwide.

This could be particularly important as the demand for advanced ophthalmic products pick up in the middle developing countries of Asia and South America. Pilkington can now offer a complete, integrated range of products through its considerable international marketing network.

The acquisitions also promise to allow Pilkington to gain better mileage from its research and development programme across the range of glass and plastic products. The holographic technology that goes into Pilkington's head-up display systems for the F-16 fighter, is also going into the bifocal contact lenses that Pilkington plans to release commercially later this year.

That technology and the greater size will be the key to making the thrust into opthalmics a commercial success. That market has grown by an average of between 16 and 18 per cent annually over the past decade. However, it has not always been a smooth ride.

Profits at the Vision Care businesses stagnated in 1984 due to price pressure in the US, which was eventually met by cuts in cost of production. The 1986 results were poor — off 18 per cent — due to a public scare over the safety of extended wear contact lenses, and a lack of new products. Pilkington says the effects of the scare are now over.

Nonetheless, it is clear that Pilkington's future now depends far less on the severe cost control programmes and long-awaited improvements in prices and demand for its basic glass products that had made the group a remarkable recovery situation in recent years.

Pilkington is betting the future on its ability to provide continued technological leadership, to come up with new products that command a premium before the competition catches up.

New partners for Compsoft

BY PHILIP COGGAN

The reverse takeover of Compsoft Holdings, a USM-quoted software company, by private group Sagesoft is off.

But Compsoft has not been left without a partner. Multisoft, which supplies high-level accounting systems, and Format Products for Computers, an educational software house, are planning to reverse into the loss-making group in a deal that will triple its size.

Compsoft said yesterday that it expected to send a document outlining the deals with Multisoft and Format to shareholders in September. It would announce its preliminary results for the year to March 31 1987 at the same time.

Shares in Compsoft were suspended in June, prior to the deal with Sagesoft. The acquisition of Format Products for Computers was also planned to be part of the Sagesoft deal.

In July, the Stock Exchange insisted, under the nine-month rule, that audited accounts be produced for Sagesoft before the acquisition could be approved. Yesterday, it was announced that the parties had failed to agree terms and the discussions had been terminated.

Sagesoft said it would pursue its development plans. "Were Sagesoft to seek a USM quote in the near future" said David Goldman, the group's managing director, "we believe that its flotation would be well supported."

BOARD MEETINGS

TODAY

Interims:—De Beers Consolidated Mines, EIC, Impala Platinum, Jaguar, Rentokil, Thomas Robinson, Standard Chartered, Unidare, Woodhouse and Rixson.

Finals:—Gold Fields of South Africa, India Fund, Hanimex, Harrbuger Brooks, Meat Trade Suppliers.

FUTURE DATES

Interims:—

American Trust	Aug. 24
Ault and Wiborg	Aug. 21
Brixton Estate	Sept. 15
Edinburgh Fund Managers	Aug. 24
Ericsson (LM) (Telefonaktiebolaget)	Aug. 24
European Home Products	Sept. 3
Iceland Frozen Foods	Sept. 15
Laing (John)	Sept. 10
Lec Refrigeration	Aug. 27
Liberty	Sept. 25
Northern Engineering Industs.	Aug. 25
Pickwick	Sept. 1

Information services help Pearson to push ahead

BY MARTIN DICKSON

Pearson, the publishing, banking and industrial group, yesterdaly announced interim pre-tax profits of £51.2m, up 16 per cent on the £44.1m reported in the first six months of 1986.

The improvement stemmed mainly from its information and entertainment sector — which includes book publishers Penguin and Longman and the Financial Times — which saw trading profits jump from £20.8m to £30.2m on sales of £288.6m (£250.7m).

But Pearson's Royal Doulton fine china business suffered a drop in profits from £7m at the interim stage in 1986 to £2.5m on turnover up from £69.4m to £70.3m. This was blamed largely on sharply lower sales in Canada, one of its main export markets.

The figures fell within a particularly wide range of brokers' forecasts, but the shares closed at 760p, down 12p on the day.

Lord Blakenham, chairman of the group, said there had been three important changes in Pearson's composition since the same time last year: it had bought New American Library, a US paperback publishing house, sold its Fairey engineering businesses, and disposed of most of its holding in Cedar Fair, an American theme park.

He said trading profits of the businesses disposed of were some £4m in the first half of 1986, while interest on the proceeds was of the same order during the first half of 1987.

Lord Blakenham, chairman, reports profits of £51.2m for Pearson

As expected, NAL made a small trading profit in the first six months under Pearson ownership. "The reported increase in group pre-tax profits, therefore, reflects the improved performance of the continuing businesses," he added.

The book-publishing companies had healthy increases in sales and profits, while the FT showed continuing circulation growth and maintained its good 1986 performance. Westminster Press, the provincial newspaper chain, produced an excellent profits increase.

On turnover of £420.7m (£455m) the group made a profit before interest of £52.4m (£50.6m). The net interest charge was £1.2m, down from £5.5m.

Tax took £17.9m (£18.2m) and the much lower tax rate helped produce earnings per share of 15.3p (12.4p), up 23 per cent. There is an extraordinary profit of £14.1m (£0.1m), mainly because of a gain from a capital distribution made by Cedar Fair and its subsequent flotation. The interim dividend is 6p (5p).

Two other important events occurred after the end of the reporting period: Pearson sold Bracken House, the headquarters of the Financial Times, for £143m to Ohbayashi of Japan, and made a recommended bid to buy out minority shareholders in Camco, its US oil services subsidiary.

Lord Blakenham said as a result of the Bracken House deal, the group now had net cash which would be more than sufficient to cover the £50m cost of the Camco offer.

Zurich reverse takeover of Ecobric values group at £50m

BY PHILIP COGGAN

Zurich Group, a privately-owned property and housebuilding company, is reversing into Ecobric Holdings, the USM-quoted demolition group in which Marler Estates has a 64 per cent stake.

Ecobric will issue 70m shares, more than its existing share capital, to buy Zurich and based on a nominal share price of 70p, the deal values the property group at just under £50m. Ecobric's shares have been suspended since early July when they were trading at 88p.

Zurich, which was established in 1983, is run by two accountants, Mr Malcolm Wright and Mr Martin Robinson, who will be joining the Ecobric board. In the eight months to April 30, 1987, it made pre-tax profits of £824,000 and the directors are warranting that its profits for the year ending April 30, 1988 will be not less than £3m. If the accumulated profits for the three years to April 1991 are less than £9m, Zurich will repay £1.1m.

"The basic businesses of Ecobric are sound" said Mr Robinson, Zurich's finance director "and the demolition arm is particularly attractive." Zurich intends to inject some of its other interests, notably in plastics into Ecobric and to expand the group in the property field.

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Ecobric joined the USM in 1982 but slumped into losses the following year thanks to a downturn in its foundry side. After a patchy profits performance, the group attempted a rescue package last October via a £1.5m rights issue and the appointment of Mr Michael Eaton, the one-time National Coal Board spokesman, as chief executive.

But the rights issue was blocked by legal problems and Marler, the property company which achieved notoriety when it tried to merge the Fulham and Queens Park Rangers football clubs, stepped in as saviour. Mr Eaton resigned.

After the new deal, Marler's stake will be reduced to 17 per cent and the Zurich team will take over the management of the company, of which Mr Ronnie Aitken, the company doctor, is currently chairman.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Blagden Indust ......int	3.7	—	3.5	—	7.2
BSR ......int	0.65‖	Dec 4	0.6	—	2.7
Inv Tst Guernsey ...int	0.55‖	—	0.5	—	1.6
Lawrie Group	45	—	40	45	40
Pearson ......int	6	Nov. 2	5	—	12
A. G. Stanley ......int	1.65	—	1.5	—	3.25

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ Gross throughout.

Sims to acquire meat group for £11.9m

By Fiona Thompson

Sims Catering Butchers is to acquire GE Shouler, the meat products group, for £11.9m to be satisfied by the issue of 5.05m new Sims shares.

It is intended that the acquisition should be completed at the same time as Shouler's agreed purchase of John H. Pike, the hamburger manufacturer, and Bill Giles, which specialises in carcass residue boning and meat production. Shouler, Pike and Giles will be known as the Shouler Group.

Pro forma turnover of the Shouler Group to March 31, 1987 was £39.1m with pre-tax profits of £1.4m.

The new Sims shares will be issued based on a value of 235p per share.

In the event of Shouler failing to buy Giles on or before September 18 this year, Sims may still acquire Shouler together with Pike for 4.8m new Sims shares.

The Sims directors believe the introduction of the Shouler Group will have a significant impact on the results of the enlarged Sims group in the second half of the year to March 31 1988 and will also provide substantial opportunities for future growth.

No further acquisitions are currently under consideration.

Humberside Elect.

Humberside Electronic Controls is expected to return to profits by the end of this year, Mr Quinton Hazell, the new chairman, told an extraordinary meeting. The meeting approved the acquisition of Mr Hazell's private company, Quinton Quinton, and his appointment as chairman.

He added that it was intended to consolidate the existing engineering business but the main expansion would be in areas such as distribution and selected manufacturing.

Lawrie profits hit

Lawrie Group, tea planter, announced 1986 pre-tax profits of £2.6m, substantially below the 1985 figure of £6.83m. Turnover was £11.07m compared with £12.2m and earnings per £1 share fell from 185.86p to 64.47. However the dividend is raised to 45p (40p).

The directors said that decreased tea production, weak tea market prices and the non-recurrence of the previous year's profitable investment disposals and currency options were the principal reasons for lower profits.

Monks & Crane

Monks and Crane, has extended its distribution network through the purchase of H.E.L.D., a distributor of fixings and power tools to the construction and allied industries in east and west Sussex.

Consideration of £1.283m will be satisfied as to £400,000 cash and £883,000 via the allotment of ordinary shares to the vendors.

Explaura delay

Explaura Holdings, the start-up mining company which hoped to be floated on the Unlisted Securities Market in July, is now looking to join the market next month. A reorgisation of the Canadian Department of Regional Industrial Expansion had been the cause of the delay, the company said.

The DRIE has to give approval for the company's loans to be guaranteed by the government and for the interest rate to be subsidised. Explaura, which plans to quarry limestone in Newfoundland, hopes that approval will be given soon.

ERA rights

Acceptances for Era's rights offer were received for 9,554,237 new ordinary, 94.08 per cent of those provisionally allotted.

The balance will be sold.

UK COMPANY NEWS

Blagden's profits jump 50% to £3.5m mid-term

INTERIM pre-tax profits of Blagden Industries, the manufacturer of steel drums, plastic and chemical products, rose sharply from £2.31m to £3.47m in the 25 weeks to June 21, 1987.

Sales rose from £66.57m to £70.62m and pre-tax margins showed an improvement from 3.5 to 4.9 per cent. The directors said the first half of 1986 was affected by the plastics moulding business, subsequently disposed of—the profit showing for the first half of this year can be regarded as encouraging.

Operating profit was up from £3.4m to £4.61m and a break down showed that in packaging UK operations were up from £705,000 to £924,000 and international from £2.28m to £2.60m; chemicals improved from £724,000 to £970,000 and there was a small profit on the continued operations in plastic mouldings of £4,000 (£88,000 loss) and there was a loss of £387,000 for the operations sold in June 1986.

Profits from industrial protective equipment fell slightly from £126,000 to £122,000 and there was a loss of £13,000 (£20,000 profit) on plating and transformers. The results for plating and transformers comprise operating losses of the transformer business to March 31, 1987. The 1986 results include those for the transformer business for the full year and for the plating business to December 22, 1986.

The directors said that both the manufacturing and trading activities of the chemical division continued to perform at highly satisfactory levels. The company anticipated that the high level will be maintained.

Interest payable in the period fell from £970,000 to £724,000 while the share of losses of related companies more than trebled from £124,000 to £425,000. Tax took £1.55m (£910,000) and the minorities £9,000 (£8,000) leaving earnings per 25p ordinary at 6.5p (4.7p).

The interim dividend is increased by 0.2p to 3.7p—last year's total payment was 7.2p.

• comment

Blagden Industries is not the most exciting company on the market, but it has become a deal more interesting in the wake of new management's efforts to extract a livelier performance from its assets—a fact reflected in the recent rapid advance of the share price after the best part of five years in the doldrums. Some £450,000 of yesterday's profits increase came from loss elimination, but the Read acquisition and buoyant demand in Europe helped Blagden produce an impressive 15 per cent advance in operating profits from the fundamentally mature packaging business which still dominates the group. Longer term, the chemicals side, which advanced by 34 per cent at the operating profits level, is likely to contribute an increasing proportion of earnings, and expansion into Europe could prove particularly attractive if it involves the bulk transportation of chemicals overseas for packaging into Blagden's own drums at its Continental bases. Meanwhile, some £7.5m this year would put the shares, at 226p, on a prospective p/e ratio of about 16—undemanding given the 4.7 per cent prospective yield.

AG Stanley expansion set to continue

A. G. Stanley Holdings, owner of the Fads chain of stores which recently acquired Jacoa Group, retailer of paint, wallcoverings and do-it-yourself products, for £28.5m, raised pre-tax profits by 21 per cent from £1.08m to £1.31m for the six months to June 28.

The company, which retails home decorating materials and related products, also achieved improved turnover of £33.91m compared with £31.15m for the same period last year.

The chairman, Mr Malcolm Stanley, said that following the acquisition of Jacoa in July, the increased size of the group would enable it to buy on better terms and the increased volumes taken from manufacturing divisions would increase their profitability.

The trading profit before depreciation and interest was £2.48m (£1.94m). After tax of £506,000 (£430,000) earnings per share improved from 2.55p to 3.14p.

An interim dividend of 1.65p (1.5p) is declared.

Highgate & Job calls for cash as losses deepen

THE Highgate & Job Group, which successfully warded off a bid from the Robert Fraser Group earlier this year, yesterday revealed that it had swung from profits of £40,689 to losses of £297,728 for the year to end-March 1987.

At the same time the company called on shareholders for around £2m via a rights issue of 484,900 new ordinary shares and a placing of 600,000 new ordinary.

The rights issue will be at 200p per share on a one-for-two basis. The placing with NAAZ, a private company incorporated in Jersey, will also be at 200p.

Mr Nurdin Jivraj and Mr Naushad Jivraj are discretionary beneficiaries of a family trust which controls NAAZ.

Subsequent to the rights issue and placing proceeding NAAZ will hold some 29.2 per cent of Highgate's enlarged share capital.

Mr Charles von Westenholz and Mr Niall Caven, who will represent the interest of the Robert Fraser Group, which currently holds 37.6 per cent of Highgate, have been appointed non-executive directors of the company.

The Jivrajs will be invited to join the board on completion of the rights issue and placing to represent NAAZ.

For the past year Highgate had a turnover of £8.37m (£5.02m). Exceptional charges accounted for £109,415 (nil) and net interest charges for £29,711 (£45,589).

There was an extraordinary provision of £31,173 (nil) representing costs in connection with the Robert Fraser offer and certain redundancy costs.

The directors said the full effect of the severe setback in the protein division came through in the second half and resulted in the division running up a trading loss of £208,233 (profit £25,978).

Subsequently, they decided to discontinue the merchanting activities in which the subsidiaries of that division were mainly involved and this action has now been completed.

Campbell & Armstrong in £3m deal for Irwins

BY FIONA THOMPSON

Campbell & Armstrong, the Manchester-based office and shopfitting company, is to acquire Irwins, the general and specialist contractor and shopfitter based in Leeds, for £3m.

Campbells has been actively seeking acquisitions to strengthen its position since it came to the USM in June last year.

Irwins, a privately owned company, made pre-tax profits of £176,484 on turnover of £17.4m in the year to October 31 1986, before losses on property developments. Allowing for these losses — which totalled approximately £1.6m over the five years to October 31 1986 — Irwins incurred pre-tax losses of £1.06m last year.

The £3m consideration is to be satisfied by an issue to the vendors of 1.48m new ordinary shares, of which just over 1m will be acquired by merchant bankers Brown, Shipley and conditionally placed at a price of 203p each. The balance of 443,350 shares are being retained by the vendors. In addition, Campbells will place 105,517 new ordinary shares to cover the expected expense of the acquisition.

Under a clawback arrangement, existing holders of ordinary shares on the register at August 7 1987 may purchase up to 1,140,000 of the new ordinary shares at 203p each — subject to a maximum allocation of two new shares for every 13 held.

MY expands packaging side with £1.2m buy

MY Holdings has strengthened its core packaging activity with the purchase of Thomas Bushill and Sons for £1.2m. It follows last year's acquisition of Sharp Interpack and the buying of Humberside Packaging five weeks ago.

Bushill, based in Coventry, makes high-quality folding cartons for the consumer trade. It reported pre-tax profits of £153,000 on turnover of £5.36m in the year to the end of July 1986 at which date net assets were £1.26m.

MY, holding company which also has interests in consumer goods, will pay for the company with £363,000 cash, £501,000 in loan notes and the issue of 478,000 shares.

The group said that the latest purchase fitted well with Crescens Robinson, its printed folding carton subsidiary. It added that together the two businesses would create a substantial force in the industry.

Founded in 1856, Bushill is managed now by Mr Nicholas Bushill, the major shareholder, who will remain with the company, having a service contract until March 1990.

SHARE STAKES

Changes in company share stakes announced during the past week include:—

Lookers—Woodchester Investments has purchased an additional 120,000 ordinary and holds a total of 2,438,317 ordinary (29.9 per cent).

Chamberlin & Hill — John Knollys Bather, director, has sold 15,000 ordinary (0.424 per cent) at 149p and holds 369,009 (10.420 per cent).

Tranwood Group — Director F. G. Calonder purchased 30,000 ordinary at 40p. He now holds 750,000 ordinary and 72,000 warrants.

Firstland Oil — C. J. Smith has sold 450,000 ordinary, reducing his beneficial interest to 217,878 ordinary (2.3 per cent).

Scantronic — C. Brooks, director, sold 350,000 shares at 162p per share.

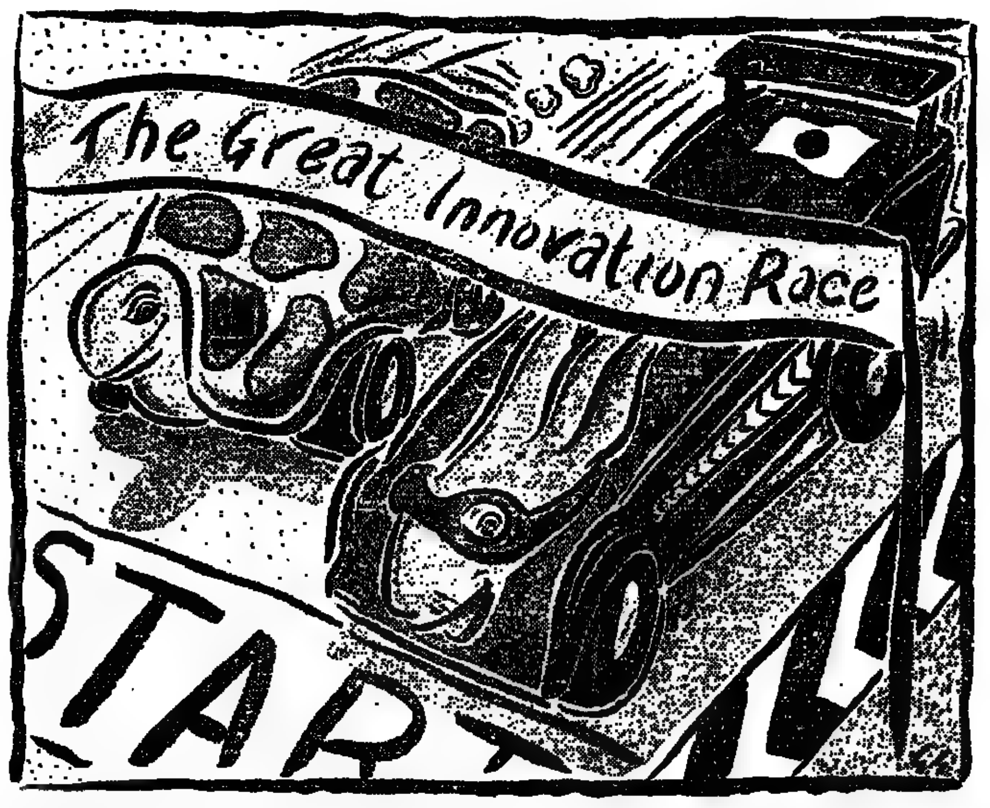
Marler Estates — D. B. Thompson disposed of 325,000 shares.

Airsprung Group— J. G. W. Yates, chairman, has purchased 10,000 ordinary at 184p. His holding is now 1,648,778 ordinary (27.08 per cent).

TECHNOLOGY

A thinking approach to the car that thinks

As General Motors, of the US, has geared itself up to challenge the Japanese, its prime motivation has been to be best rather than first. John Griffiths reports



TWO UNUSUAL CARS were to be seen recently manoeuvring their way around the simulated urban road network which makes up the driver training centre at Harrow, in London's western suburbs.

One was a Pontiac Fiero 2, General Motors' composite plastics-bodied mid-engined sports car, the other a Cimarron saloon, product of GM's Cadillac division.

In their different ways the cars provide an indicator that while Honda, Mazda and other Japanese cars have been grabbing headlines for the innovative features of their new models, the relative silence from Western producers on the subject may be the product of attitude, rather than a technological gap between the two industries.

Watching the black Fiero describe, shark-like, a seemingly impossibly small circle around a mini-roundabout, Ed Lundberg, chief engineer of advanced engineering at GM's Saginaw components division, observes: "We don't want the first four-wheel-steering system (4WS) on the market; just the best."

The Fiero's prototype 4WS is electronically-controlled and very complex. At parking speeds, the rear wheels turn by up to 6 degrees in the opposite direction from the front, reducing the turning circle by 8 ft compared with a standard Fiero.

In normal and high-speed driving the rear wheels turn in the same direction as the front—the precise speed at which this happens being programmable. The car can even be programmed for the wheels to turn in opposite directions at highway speeds—producing a grand prix racing-car responsiveness which would horrify rather than help most drivers.

Alternatively the rear wheels can be left to find their own position—or, indeed, locked fore and aft to provide conventional front-wheel steering.

Even in a simpler production form, however, 4WS is unlikely to be seen on a GM car for a year or two at least—if at all—for GM has made no commitment to bring it into production. Lundberg says that GM first wants to satisfy itself fully both about the real benefits of 4WS and that customers would really want it.

This is in sharp contrast to Honda and Mazda, which are already selling cars fitted with 4WS to motorists in Japan.

However, Lundberg says he does not regret that GM has "moved very conservatively on 4WS for the past three to four years."

One reason is customer acceptance: while Saginaw engineers themselves are very much pro-4WS, Lundberg says it is too easy to believe, not necessarily correctly, that customers will accept "technology for technology's sake."

So Lundberg indicates that Saginaw is by no means unhappy that it is Honda and Mazda which are testing the 4WS water, and not GM.

He is much less blunt, however, than Ulrich Seiffert, head of research at Audi/Volkswagen, who has said that he believes Japanese consumers are often treated by Japan's car producers as guinea-pigs for sometimes not-fully-developed innovations. This kind of approach would not be tolerated by consumers in the West, he says.

> **While the Japanese have grabbed the headlines, the gap is more in attitude than technology**

Certainly, on odd occasions Japanese manufacturers do appear to have made mistakes—Subaru, for example, received a fearful drubbing from the European motoring press for its first attempt at a futuristic coupé with four-wheel-drive, and which had to be substantially re-engineered in order to gain a degree of European acceptance.

But with Honda's new 4WS Prelude coupé there appears, on the surface, to be no such problem. It goes on sale in Europe in the autumn, and has received general critical approval from the European motoring press which tried it several months ago.

Yet Lundberg, while acknowledging that "I'm embarrassed every time a competitor brings out an enhancement," denies that the Japanese being first into the market with 4WS is actually symbolic of an emerging technology gap.

Another consideration, he says, is that "we are much more aware of the need to define more closely up-front," individual features probably destined in the longer term to be component parts of an integrated overall vehicle control system.

The non-standard features of the Cadillac Cimarron—which are also probably at least two years from production—are tilting steering wheel, electrically-adjustable seats and mirrors (and eventually control pedals), all integrated electronically with a dual memory.

Thus two regular users can each obtain a "perfect" driving position and commit it to an electronic memory within the car via a single switch. No matter how different a position adopted by a casual user, one press of the memory button returns seat, mirrors, etc, simultaneously to the remembered positions.

Access to this "cockpit" is also intended to be via a "keyless" entry system—in reality a programmable device which uses a combination of numbers not only to open the car but which, possibly using different numbers, can be used in similar locks on the house, garage and so on.

Lundberg envisages even two such diverse systems as on the Cimarron and Fiero coming under one control unit—hence the reluctance to rush into 4WS with systems that may have to be duplicated.

But, he says, "if you really want to start putting forward blue-sky ideas about the next 10-20 years, then you're talking about the full use of expert systems (computer programs which have the ability to make human-like judgments)."

Such systems, he suggests, will use microprocessors, multiplex circuits and sensors to allow major car functions—themselves individually computer-controlled — to interact with each other.

The major functions include steering, suspension and traction control — the last embracing the avoidance of wheelspin under acceleration or constant speed travel on slippery roads, as well as the now widely-available anti-skid braking.

Eventually, he forecasts, manufacturers may be able to build a car of the future which thinks for itself to save the motorist from his own laziness or even foolhardiness.

One example is the possible sensing of excess tyre wear via the car's expert system. This could then tell the electronic engine management system not to allow fierce use of the accelerator by the driver to be translated into a surge of power with which the deficient tyres could not cope.

> **If tyres are worn, the car's "expert" system will prevent fierce use of the accelerator**

Another example is that a combination of steering, yaw, lateral-acceleration, speed and road-surface sensors would be able to tell the car that it was on a gravel rather than a tarmac surface, and then moderate all driver inputs to ensure the vehicle stayed on the road.

But, stresses Lundberg, while individual ingredients like "active" suspension and electronic traction control are already becoming reality, the integrated "intelligent" car remains some years off. The technology still needs to advance in some areas, he stresses — not least in sensors, many of which are still far too expensive for volume motor applications.

Some industry observers, he acknowledges, have been levelling increasing amounts of criticism against GM for having become more of a follower than an innovator. And the attack made on GM for its alleged cumbersomeness by Ross Perot, former head of GM's electronics company acquisition EDS, still rankles Lundberg.

"Twenty years ago GM did not have a great deal of technical competition but then, some say, GM became complacent—became a manufacturer first and an engineer second," Lundberg states.

"Well, if that was true, we are now reversing it—through trying to establish core technologies and the management and resources to handle them."

But, harking back to the current Japanese rate of innovation, he insists that GM is still unlikely to be pressured into copy-catting for its own sake.

The problem with the Japanese, he suggests, is that their approach to each of their car innovations is still fragmented. "We hope we can be smart enough to leverage the technology so that we don't have to duplicate anywhere in the car's system."

Shrinking problem of computer size

A NEW acronym, ULSI, seems to be emerging in connection with the work IBM is doing to reduce yet further the size of transistors and other components on integrated circuit "chips."

ULSI stands for "ultra large scale integration" and is the step beyond VLSI (very large scale integration). It is a size reduction process which before long will enable a million transistors to be put on a thumbnail-sized sliver of silicon. Such reduction will be taken to the limit by circuit designers because smallness, although useful in making more compact computers, also signifies faster operation and a reduction in the power that the processors consume.

Transistors, the active elements on a chip that carry out the logical switching functions of computing, are being fabricated by IBM laboratories down to sizes of only a few tenths of a micron (millionth of a metre). These devices, a few thousands of a human hair wide, are expected to result in shoebox-sized computers with the power of today's mainframe machines. Such applications as continuous speech recognition and foreign language translation, which at the moment need mainframes or powerful minicomputers, might run on such processors.

IBM is using the latest electron beam writing devices to make the tiny components. Electron beams, a few hundredths of a micron across, etch the microscopic patterns. But the limit is being reached, says IBM. Soon, the voltages needed to operate the devices may actually damage them.

Towering over the inferno

FINNISH COMPANY Bronto Skylift has developed a mobile fire-fighting tower for foam projection. Fifty metres high, it is intended mainly for dealing with oil storage tank fires.

The first tower to be manufactured has gone to the Kuwait National Petroleum Company, which lost seven tanks in 1983 and found that permanent fire-fighting devices mounted on or near the tanks were being affected by the fires.

The Bronto tower is mounted on a four-axle Mercedes Benz chassis and can project 6,000 litres of foam per second from 100 metres away, using a 23-metre side-reaching arm.

Breaking into civil waters

FERRANTI Defence Systems in the UK has broken into the civil radar market by selling one of its Seaspray maritime search radars to the Department of Agriculture and Fisheries in Scotland.

There is likely to be increased use of such radars by civil authorities in countries that have to prevent illegal fishing in national waters, or where the arrival of un-

Edited by Geoffrey Charlish

authorised craft carrying illicit cargo or passengers has become a problem.

The Seaspray Mk 3 is a lightweight but powerful radar that resulted from a privately funded Ferranti programme. It has completed trials on several helicopter types and has been ordered within Nato.

Setting the seal on accuracy

A SYSTEM that will automatically inspect ring-shaped components, like "O" ring seals, has been developed by Reflex Automated Systems of Crawley in the UK.

Using machine vision techniques, the system can check dimensions to an accuracy of 25 microns (millionths of a metre).

CONTACTS: IBM: UK office, 0705 694941. Bronto Skylift: Finland, 31 442233. Ferranti Defence Systems: UK, 031 332 2411. Reflex Automation Systems: UK, 0293 66011.

COMMODITIES AND AGRICULTURE

Chinese cotton crop gets police protection

CHINA HAS mobilised police to keep order during the cotton picking season over the next six weeks as competition for scarce supplies intensifies, the China Daily Business Weekly said, reports Reuter from Peking.

Last week China announced a ban on free market trading in cotton until a state purchasing quota of 4.38m tonnes has been met to fulfil domestic consumption and exports. The textiles industry is one of China's biggest foreign exchange earners.

Cotton has been in short supply in China since output fell to 3.54m tonnes last year from 4.15m in 1985 and a record 6.26m in 1984, the paper said.

The paper said the shortage had encouraged free market trading, making it difficult for the Government to control the market. Many factories using cotton materials are unable to operate at full capacity, it said.

The ban was introduced because firms which did not rely on the state for cotton supplies had intensified their efforts to procure cotton, offering higher prices. They also had better access to farmers, it said.

The picking season begins in late August in south China and in September in north China, the paper added.

● US cotton demand has risen to a 13-year high, according to the US Department of Agriculture.

The seasonally adjusted annual usage rate rose to 7.9m bales (480 lbs each) in June and cotton consumption this year could approach 23 lbs per head, the department said.

In a summary of its Cotton and Wool Situation report the USDA also predicted a rise in the US share of world cotton trade to 29 per cent, compared with 27 per cent in 1986-87.

World stocks will continue to fall in spite of higher production, the department said.

It forecast world consumption of cotton in 1987-88 at 82.2m bales, just below the 1986-87 record of 82.9m but well above estimated 1987 production. As a result it projected that world stocks would fall from 31.2m bales at the beginning of the season to 25.9m at the end.

Moet sales boosted by perfume demand

MOET-HENNESSY says group revenue rose by 13.6 per cent in the first half of 1987 to FFr 3.8bn ($600m) from FFr 3.3bn a year earlier.

Then French champagne, cognac and perfume group says the gain was led by the perfume side, which saw sales rise by 27.1 per cent to FFr 1.2bn. The sector's strong showing mainly reflected the success of the Parfums Christian Dior unit.

Cognac and spirits operations also showed strong growth, led by brisk demand in Asian markets and, to a lesser extent, North America. Turnover from this sector rose 11.7 per cent to FFr 1.19bn.

Sales of the champagne and wine operations dipped 3.8 per cent in the half year, however, to FFr 1.25bn, partly because of a delay in deliveries in Europe.

Overproduction concern pushes oil prices lower

BY LUCY KELLAWAY

OIL PRICES fell sharply yesterday, despite the mounting tension in the Gulf. In London Brent crude fell below $19 a barrel for the first time since the beginning of last month, when the market started to become preoccupied with events in the Middle East.

In New York yesterday morning prices of West Texas Intermediate fell by more than 50 cents to $20.05 a barrel in heavy activity, as traders rushed to take profits, while in London Brent for September delivery closed 45 cents lower at $18.875 a barrel.

The fall was attributed to mounting concern about overproduction of oil by the Organisation of Petroleum Exporting Countries. Recent reports indicate that Opec production is running at nearly 3m barrels a day above the official ceiling of 16.6m barrels.

During the last week and a half, prices have fallen nearly every day, and are now about $2.50 lower than the high point reached in the middle of July, when the market was anxiously awaiting the reflagging of the first Kuwaiti tankers.

Yesterday's report of Iranian threats to over-ground Middle East oil pipelines — through which large quantities of Opec oil are being exported, bypassing the Gulf — failed to turn market sentiment.

Traders yesterday expressed the view that even in the unlikely event of a crisis there was enough oil around for the market to be able to bear it. Some predicted that prices would continue to drift down to about $19 for WTI, a level justified by the demand

Brazil finds deep water field

BY ANN CHARTERS IN SAO PAULO

PETROBRAS, Brazil's state oil monopoly, has announced it may have found a 3.5bn barrel oil reserve in deep water south of proven petroleum discoveries in the Campos basin, 120 km off the coast from Rio de Janeiro.

The Marlin field, just to the north of the new discovery, already has proven reserves of 3.5bn barrels. Brazil does not count this oil as part of its reserves, which total 2.36bn barrels, becaus the oil is located at depths of 700 metres or more, deeper than is currently lifted commercially because of technological difficulties.

The new oil, revealed by seismic testing, is thought to be present at depths ranging from 600 to 2,000 metres, according to Mr Wagner Freire, the Petrobras managing director for exploration and production. Extension wells are planned to confirm the presence of the oil with perhaps one to be drilled this year.

Petrobras has succeeded in lifting oil from a depth of 411 metres in a well now producing 5,000 barrels a day. Another well is scheduled to start production in mid-September from a depth of 419 metres.

In the second half of next year, Mr Freire said that an underwater platform in the Marlin field would be constructed on an experimental basis with flexible lines of as long as five kilometres to wells below the surface. The system has been dubbed "a wet Christmas tree."

Broker reverses forecast of world sugar balance

BY DAVID BLACKWELL

WORLD SUGAR production is set to exceed consumption by 100,000 tonnes for 1986/87, according to the latest report on the sugar market by Gill & Duffus, the London broker.

The revised forecast of production of 102.6m tonnes reverses an earlier projection of a global production deficit. Two months ago the broker put production at 101.7m tonnes.

At the same time the forecast for world sugar consumption has been revised downwards by nearly 200,000 tonnes to 102.5m tonnes. The broker now expects world stocks of sugar to be little changed at the end of this month from the level they were at the beginning of the year.

Consequently, the report says the market has lost all the upward thrust it possessed earlier in the year.

The revised production figures stem from increased estimates for India, Brazil and Australia. Indian production has risen sharply and is set to exceed earlier forecasts by 500,000 tonnes, while doubts about the Brazilian and Australian crops have been brushed aside.

Alcan hopes to avoid stoppage

By Robert Gibbens in Montreal

ALCAN ALUMINIUM is negotiating regularly with the group of unions representing about 6,000 hourly workers in most of its plants in Quebec, but says that agreement on a new contract is unlikely before the old contract expires August 31.

La Federation des Syndicats du Secteur d'Aluminium represents 14 different local unions representing workers in Alcan's chemical and smelting plants located north of Quebec City and near Montreal. Altogether Alcan has 807,000 tonnes of ingot capacity in Quebec.

One smaller smelter is represented by another union and the most modern plant, the Grande Baie, in the Saguenay is not unionised.

Alcan said basic money issues have not yet been reached in the talks with the FSSA. However, it said it is confident of reaching agreement without any stoppage even though the old contract expires August 31.

Though no confirmaiton was available from the FSSA, Alcan said progress is being made on local and non-monetary issues. The union seeks to keep basic rates up with inflation through indexation, greater job security, reduced contracting out, changes in working schedules and vacations and manpower transfers.

The last contract provided a total increase of about 12.5 per cent in base pay over three years, including indexation. The last stoppage at Alcan's Quebec smelters occured seven years ago.

Danish farmers question anti-pollution plan

BY HILARY BARNES IN COPENHAGEN

DANISH FARMERS are dissatisfied with draft regulations from the Ministry of Agriculture which will require all farms to submit field cultivation and fertiliser-use plans to the Government.

The ministry also wants farmers to submit detailed returns on actual fertiliser consumption, to be logged in a national data bank.

The proposed regulations are part of an ambitious programme for the reduction of the pollution of the seas surrounding Denmark by nitrates and phosphates from agriculture, industry and aquaculture.

A reduction in the use of fertilisers by about a quarter over the next three years and sowing fields to keep them green during the winter are two of the anti-pollution measures.

The farmers argue that ploughing down of harvest straw will have much the same effect as winter sowing in retaining nitrates in the soil and are therefore asking for a modification of the area which must be kept green through the winter.

Preparing for a gloomy harvest

FARMER'S VIEWPOINT

By John Cherrington

I HAVE spent the last couple of weeks waiting for my crops to ripen, examining their progress and trying to estimate the probable yield. This is a difficult job even in a good grain year, but this time the damage caused by storms, heavy rain and lack of sun has been compounded by some of the worst attacks of disease that I can remember.

The wheat seems to be the most seriously affected. I noticed some weeks ago that some of my crop was beginning to show a darkening tinge. No fungal disease was obvious but there seemed to be a generally unhealthy look about many of the fields.

The weather at that time was pretty frighftul with little sun and some quite heavy rain—poor weather for spraying even if there had been an obvious culprit to aim at.

I was particularly worried by what should have been my best field of wheat. It was growing after a preparation of two years in grass and had been a good full crop. The flag leaves and remained very healthy and green, as they should, but the chaff around the grains was becoming discoloured, gradually turning a dirty grey instead of an incipient gold. On close examination I found that a proportion of the grains rubbed out of these ears were badly shrivelled and, in one or two cases, had actually sprouted.

Other fields were showing similar signs but the interesting thing was that the fields sown later seemed to be keeping the healthiest. The fault, of course, might have been mine. My chemical strategy is to wait until I see something to counter rather than to spray by rule of thumb with prophilactic treatments.

It is no real consolation to see that crops most assiduously sprayed by neighbouring farmers are showing the same signs of stress, which must be due to the weather of the last few weeks.

Driving through the southern counties recently I noticed that most of the wheat crops seem to have suffered in the same way, and it has made me wonder on what basis those who have been predicting a bumper harvest have been calculating. One observer has reminded me that in 1984 much of the wheat had the same stress signs but when rubbed out while growing the grain seemed healthy and well filled—that is definitaely not the case this year.

In my darkest moments I am reminded of a 900-acre field I saw in Western Australia which had been abandoned because all the grain had been shrivelled by rust. The culprit is a soil-borne condition causing a mixture of several diseases which have been encouraged by the peculiar climatic conditions we have encountered this summer.

Some farmers have suffered from a breakdown of a variety called Moulin. In this the ears have set very few grains and in the crops I have seen many heads are also badly diseased. Moulin is a French variety and there has been a similar breakdown across the Channel, so much so that French farmers have initiated legal action against the original breeders. Some English farmers are talking of similar action, but their chances of success are reduced by the fact that warnings about the variety were issued last year.

It is too early to estimate crop yields—they will depend on the proportion of shrivelled and small grains which have to be winnowed out of the sample after drying. But there does seem to be a low specific weight, even in the larger and better filled grains, and that is bound to affect milling quality. My worst-affected wheat is the milling variety Avalon.

I had better hopes of my spring-sown barley crops, which had been looking well and healthy. They are a few days off being ready for the combine but on close examination the grains do not seem to be weighing quite as well as they should. That judgement is supported by comments from farmers who have already started their combining and tell me that they are disappointed at the weights of their crops. It seems that the plans have put too much of their energy into growing straw and that there has been insufficient sun to mature the plants properly.

For most of my spring barley I have hopes of the malting market. At the moment the price quoted for good quality grain is substantially above that for feed grain.

Besides grain appearance, however, a great deal depends on an analysis of the nitrogen content. Low nitrogen means higher prices and as soon as some of mine comes off the drier I will be sending samples to the different buyers to see how they analyse them.

There does seem to be a degree of subjectiveness about some of these tests, however, although the equipmnt used is supposed to be standard. My experience is that the same sample will vary quite materially depending who tests it.

My oats grown on contract look quite well at the moment, as they usually do in a wet cool summer, and so do the peas and beans. These are very well podded but are still very green and will need desiccating unless they start to die off soon. Last year I was not able to finish the bean harvest until late November and although the variety I have grown this year is supposed to be earlier ripening it does not as yet show sign of living up to its reputation.

It is far too soon to make any assessment of the final harvest yield on my own farm, let alone for the country as a whole. But past experience suggests that it will not be a good quality wheat harvest. Wheat needs plenty of sun to put weight into the grain.

The only safe predictions are that the UK harvest will probably be less than last year's and that the pressure of deliveries to British intervention stores will be minimal. Not only will quality be lacking but the British criterion for moisture is the most stringent in all the European Community. In the UK the acceptable moisture content is 14½ per cent while everywhere else it is 15½ per cent, an anomaly which Mr John MacGregor, the British Agriculture Minister, has so far refused to challenge. Some British farmers are beginning to ask whose side he is on.

LONDON MARKETS

THE LONDON Metal Exchange aluminium market shrugged off news of a large rise in warehouse stocks of high grade metal last week as fresh speculative buying and covering against speculative short positions pushed prices close to recent peaks. The high grade three months price closed $33 up at $1,738 a tonne while cash standard metal gained £21 to 1,167 a tonne. Dealers said there had been a "chartist" target at $1,760 a tonne, which was just about in line with standard metal's closing price of £1,075.50 a tonne, up £15.75. Copper prices continued to respond to Japanese buying as the cash LME quotation gained £14 to £1,112.50 a tonne. Dealers said the market's firmness also reflected price fixing purchases and New York's strength on Friday night. Coffee futures prices registered modest gains as some buyers responded to reports of cold weather heading for Brazilian growing areas. The November position closed £10 up at £1,295.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1736-40	+33	1744/1740

COPPER

LEAD

NICKEL

ZINC

LONDON METAL EXCHANGE TRADED OPTIONS

GOLD

LONDON METAL EXCHANGE WAREHOUSE STOCKS (Changes during week ended last Friday)

INDICES

REUTERS

DOW JONES

MAIN PRICE CHANGES

TIN

SILVER

COFFEE

MEAT

COCOA

FREIGHT FUTURES

GRAINS

TEA

US MARKETS

NEW YORK

CHICAGO

SUGAR

POTATOES

OIL

GAS OIL FUTURES

SOYABEAN MEAL

Turnover: 6,578 (3,030) lots of 100 tonnes.

COTTON

LIVERPOOL—Spot and shipment sales for the week ended August 14 amounted to 1196 tonnes against 576 tonnes in the previous week. Fair operations occurred with dealings in Middle Eastern, African and American qualities.

Scots projects seek European funding

THIRTY-ONE applications to the European Social Fund to support schemes providing a total of 10,871 training places or jobs in the west of Scotland have been approved by Strathclyde Regional Council's policy and resources committee.

A report by Mr Robert Calderwood, the authority's chief executive, calculated the cost of the package at £23.8m He hopes £11.9m of this sum will come from the European Social Fund.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound quiet

THE DOLLAR paused after Firday's sharp decline. Disappointing US trade figures for June increased expectations the dollar would weaken in the latter part of this year, but the timing remained in doubt.

News from the Gulf area at the weekend appeared to increase the danger of a clash between the US and Iran. This underpinned the dollar, but only appeared to delay a further dollar fall, according to dealers.

There was no further news to move the market. No change in Federal Reserve monetary policy is expected a today's open market committee meeting, the first under the chairmanship of Mr Alan Greenspan, and central banks are expected to prevent the dollar falling too sharply, in accordance with this year's agreement on currency stability.

The dollar rose to DM 1.8770 from DM 1.8755, and to FFr 6.2725 from FFr 6.27, but was unchanged at Y149.90, and fell to SFr 1.5570 from SFr 1.5580.

On Bank of England figures the dollar's exchange rate index was unchanged at 104.2.

STERLING—Trading range against the dollar in 1987 1.6885 to 1.4710. July average 1.6096. Exchange rate index rose 0.1 to 72.6, compared with 69.0 six months ago.

Sterling failed to react to stronger than expected July UK retail sales figures. The rise of 1.4 per cent was well down from June's sharp increase of 3.2 per cent. Forecasts ranged from flat to a rise of about 1.5 per cent, but most estimates were in the region of 0.2 per cent to 0.5 per cent.

The sharp rise in June was a factor leading to fears of overheating in the economy. Last week's economic news, including the trade figures, tended to calm these fears, but this Thursday's money supply and bank lending figures will be watched closely for renewed evidence that high personal borrowing is being spent on foreign goods.

A fall in North Sea oil supplies, on reports of overproduction by the Organisation of Petroleum Exporting Countries, was also ignored as the pound rose 10 points to $1.5905-1.5915. Sterling also improved to DM2.9875 from DM2.9825 and to FFr9.98 from FFr9.97, but was unchanged at SFr2.4775 and Y238.50.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. July average 1.8480. Exchange rate index 145.8 against 148.7 six months ago.

Trading in Frankfurt was quiet, as dealers appeared uncertain whether the US authorities would react to Friday's disappointing trade figures by encouraging a further depreciation of the dollar, or if pressure in Congress would lead to protectionist measures.

At the Frankfurt close the dollar had drifted slightly higher, to close at DM1.8775 from DM1.8745 on Friday.

The Bundesbank did not intervene when the dollar was fixed at DM1.8760 in Frankfurt, compared with DM1.8933 on Friday.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. July average 150.25. Exchange rate index 215.7 against 209.2 six months ago.

The yen moved up in Tokyo coming into line with moves in exchange rates in New York and Europe before the weekend, following news of the disappointing US trade figures for June. The dollar closed at Y150.20, compared with Y152.40 in Tokyo on Friday, but little changed from the New York finish of Y150.10.

Buying by investment houses to pay for bonds bought at last week US Treasury auction pushed the dollar up to a high of Y150.45, but the underlying trend was weak. Dealers expect the trend in trade to undermine the dollar, but the commitment to currency stability by central banks to prevent a sharp fall, at least in the short term.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug. 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0762	+1.46	+0.78	±1.5344
Danish Krone	7.85212	7.97374	+1.55	+0.87	±1.6404
German D-Mark	2.05853	2.07447	+0.77	+0.09	±1.0981
French Franc	6.90403	6.92778	+0.34	−0.34	±1.3674
Dutch Guilder	2.31943	2.33803	+0.80	+0.12	±1.5012
Irish Punt	0.768411	0.774954	+0.85	+0.17	±1.6684
Italian Lira	1483.58	1501.92	+1.24	+1.14	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Aug. 17	Latest	Previous Close
£ Spot	1.5910-1.5920	1.5870-1.5880
1 month	0.41-0.38 pm	0.41-0.40 pm
3 months	1.20-1.16 pm	1.19-1.16 pm
12 months	3.85-3.75 pm	3.85-3.75 pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST THE POUND

STERLING INDEX

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

CURRENCY RATES

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Aug. 17	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
DM	0.335	0.533	1.	79.83	3.341	0.829	1.126	722.9	0.708	20.74
YEN	4.193	6.671	12.53	1000.	41.84	10.39	14.10	9056.	8.874	259.7
F Fr.	1.002	1.594	2.993	239.0	10.	2.482	3.369	2164.	2.121	62.07
S Fr.	0.404	0.642	1.206	96.27	4.028	1.	1.357	871.7	0.854	25.01
H Fl.	0.297	0.473	0.888	70.93	2.968	0.737	1.	642.3	0.629	18.42
Lira	0.463	0.737	1.383	110.4	4.621	1.147	1.557	1000.	0.980	28.68
C $	0.472	0.752	1.412	112.7	4.715	1.171	1.589	1020.	1.	29.27
B Fr.	1.614	2.568	4.822	385.0	16.11	3.999	5.428	3486.	3.416	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

London rates show little change

INTEREST RATES showed little change in London yesterday. Trading remained quiet and showed no reaction to better than expected retail sales figures.

Attention remained focused on Thursday's release of UK money supply figures. Most dealers were expecting to see a rise in bank lending because there seemed to be little else to justify the recent rise in clearing bank base rates. Future trends appeared to be as clouded as when base rates were at 9 per cent although there was a majority feeling that rates were likely to rise, possibly as early September, rather than fall.

Three-month interbang money was quoted at 10⅛-10 per cent, unchanged from Friday. The only change occurred in the longer dates where some rates showed a slightly firmer trend. One-year interbang money rose to 10 7/16-10 5/16 per cent from 10⅜-10¼ per cent.

UK clearing bank base lending rate 10 per cent since August 7

Overnight money started at 9⅝-9¾ per cent and rose to a high of 10½ per cent before slipping back to 9 per cent at the close.

The Bank of England forecast a shortage of around £250m with factors affecting the market including the repayment of any late assistance and bills maturing in official hands together with a take up of Treasury bills draining £285m and Exchequer transactions a further £250m. These were partly offset by a fall in the note circulation of £270m and banks' balances brought forward £20m above target.

The forecast was revised to a shortage of around £200m and there was no assistance given by the Bank in the morning. In the afternoon it bought £18m of bills outright in band 1 at 9⅞ per cent and late help of £120m, making a total of £120m.

In Frankfurt call money moved higher as liquidity levels were squeezed by corporate tax payments. Funds were quoted at 3.8-3.9 per cent from 3.75-3.85 per cent on Friday as a result of the estimated DM 6-8bn of tax payments and also DM 1.6bn drained by last week's maturing sale and repurchase facility.

This week sees a further Bundesbank agreement expiring which will drain DM 12.8bn thus creating further uncertainty. While banks reserves showed a fall, a slowdown in the growth of money supply and a weaker dollar tended to suggest that the authorities would not be looking for a further tightening in credit conditions.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug. 17) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 13/16	offer 6 15/16	bid 7 1/16	offer 7 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (lunchtime)

Prime rate	8¼
Broker loan rate	7¾
Fed. funds	6⅝
Fed funds at intervention	6¾

Treasury Bills and Bonds			
One month	5.35	Three year	7.89
Two month	5.69	Four year	8.04
Three month	6.16	Five year	8.19
Six month	6.31	Seven year	8.42
One year	6.88	10 year	8.58
Two year	7.62	30 year	8.79

August 17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.80-3.90	3.85-4.00	3.85-4.00	3.90-4.05	4.15-4.30	5.0
Paris	7⅜-7½	7 9/16-7 11/16	7¾-7⅞	7⅞-8	8¼-8⅜	7½
Zurich	⅞-1⅛	3¼-3⅜	—	3⅝-3⅞	—	—
Amsterdam	4⅞-5	5⅛-5¼	—	5¼-5⅜	—	—
Tokyo	3.21875	3.65625	—	3.71875	—	—
Milan	11⅛-11⅜	12-12½	—	12-12½	—	—
Brussels	3.50	6½-6⅝	—	6 11/16-6 13/16	—	—
Dublin	8-8¼	9-9¼	9⅜-9⅝	9⅝-9⅞	10¼-10 7/16	—

LONDON MONEY RATES

Aug. 17	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10½-9	9 15/16-9½	9 13/16-9 11/16	10⅛-10	10 5/16-10 3/16	10 7/16-10¼
Sterling CDs	—	—	9¾-9⅝	10-9⅞	10⅛-10	10 5/16-10 3/16
Local Auth'rity Deps.	9⅞	9½	9 11/16	10	10 3/16	10⅜
Local Authority Bonds	—	—	9⅞	10¼	10½	10⅝
Discount Mkt Deps.	10-9¼	9½-9⅜	9½	9½	—	—
Company Deposits	9⅝	9⅞	9⅞-9¾	10⅛	10¼	10½
Finance House Deposits	—	—	9¾	10¼	10¼	10⅝
Treasury Bills (Buy)	—	—	9 21/32	9¾	—	—
Bank Bills (Buy)	—	—	9 11/16	9 25/32	9 15/16	—
Fine Trade Bills (Buy)	—	—	10 1/16	10 11/16	10⅜	—
Dollar CDs	—	—	6.75-6.70	6.85-6.80	7.05-7.00	7.55-7.50
SDR Linked Deposits	—	—	6 1/16-5 13/16	6⅝-6⅛	6⅝-6⅜	6 15/16-6 11/16
ECU Linked Deposits	—	—	6 13/16-6 13/16	7⅛-7⅛	7⅜-7¼	7 15/16-7 7/16

Treasury Bills (sell); one-month 9 17/32 per cent; three-months 9¼ per cent; Bank Bills (sell): one-month 9 11/16 per cent; three months 9 23/32 per cent; Treasury Bills; Average tender rate of discount 9.6809 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1987. Agreed rates for period August 26 to September 22 1987, Scheme I: 10.59 p.c., Schemes II & III: 10.49 p.c. Reference rate for period July 1 to July 31, 1987, Scheme IV: 9.238 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ per cent from August 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 9 per cent; six-nine months 9¼ per cent; nine-12 months 9¼ per cent; Under £100,000 8 per cent from July 16, Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES

Gilts slip on retail sales

A LACK of incentive seemed to be the predominant feature in the London International Financial Futures Exchange yesterday. Gilt prices were marked down on a higher than expected rise in UK retail sales while anyone else not participating tended to remain on the sidelines ahead of Thursday's UK money supply figures.

The recent rise in base rates effectively removed any directional thoughts from a market already drifting in the apathy of August and the holiday season. Dealers were no more sure about future trends with base rates at 10 per cent than they were with a 9 per cent rate. However most people were looking for some justification for the rise, bearing in mind that the recent increase was anything but the result of market forces.

A poor set of bank lending figures would introduce some perspective and the longer term view tended to support a rise rather than a fall in rates.

The September contract opened at 117-14 which proved to be the day's high and slipped to a low of 116-16 before closing at 116-19, down from 117-11 on Friday.

Three-month sterling deposits acted in much the same way. The better than expected retail sales figures gave rise to fears that domestic demand was outstripping output and that only imports would meet the demand. The September contract fell to 89.69 from 89.74, having opened at 89.76.

US bonds finished below the day's highs but were still up from Friday's close in London. Values were underpinned by Friday's strength after strong demand for the recent US Treasury refunding programme. The September price opened at 91-00 up from 91-04 and moved up to a high of 91-08 before slipping back to close at 90-29.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
110	6.38	7.13	0.00	0.37
112	4.39	5.35	0.01	0.59
114	2.43	4.05	0.05	1.29
116	0.60	2.53	0.22	2.13
118	0.09	1.57	1.35	3.17
120	0.01	1.14	3.27	4.38
122	0.00	0.47	5.26	6.07
124	0.00	0.27	7.26	7.51

Estimated volume total, Calls 1,413 Puts 854
Previous day's open int: Calls 39,292 Puts 21,980

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
80	10.58	9.61	0.00	0.03
82	8.58	8.03	0.00	0.09
84	6.58	6.16	0.00	0.22
86	4.58	4.40	0.00	0.46
88	2.59	3.16	0.01	1.22
90	1.11	2.01	0.17	2.07
92	0.14	1.09	1.20	3.15
94	0.01	0.39	3.07	4.45

Estimated volume total, Calls 172 Puts 0
Previous day's open int: Calls 2,010 Puts 1,758

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Aug.	Calls—Last Sept.	Puts—Last Aug.	Puts—Last Sept.
22750	2.76	6.59	1.96	5.79
23000	1.60	5.40	3.30	7.10
23250	0.84	4.37	5.04	8.57
23500	0.39	3.49	7.09	10.19
23750	0.16	2.75	9.36	11.95
24000	0.06	2.14	11.76	13.84
24250	0.02	1.64	14.22	15.84
24500	0.01	1.24	16.71	17.94

Estimated volume total, Calls 9 Puts 14
Previous day's open int: Calls 418 Puts 312

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6433	0.6442	0.6430	0.6425
Dec.	0.6486	0.6492	0.6482	0.6475
Mar.	0.6544	0.6548	—	0.6530
June	—	—	—	0.6591

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	336.80	337.40	333.75	336.05
Dec.	339.55	340.20	338.70	338.85
Mar.	342.40	343.20	342.00	341.65
June	345.20	345.60	—	344.55

CURRENCY FUTURES

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.5877	1.5865	1.5865	1.5842
Dec.	1.5762	—	—	1.5732
Mar.	1.5661	—	—	1.5635

Estimated volume 1 (0)
Previous day's open int 831 (831)

Company Notices

Continental (Bermuda) Limited

US$250,000,000
Floating Rate Notes due 2004
Guaranteed by
Hungarian Foreign Trade Bank Ltd.

Notice is hereby given that for the Interest Period 18th August, 1987, to 18th November, 1987, a period of 92 days, the Rate of Interest will be 7.25 per cent per annum. The Interest Amount payable on the Interest Payment Date 18th November, 1987 will be US$4,631.94 for each Note of US$250,000.

Agent Bank
Dean Witter Capital Markets International

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on August 17, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.25
Albania	Lek	10.2170
Algeria	Dinar	7.4206
Andorra	French Franc	9.98
	Spanish Peseta	202.50
Angola	Kwanza	47.77
Antigua	E. Caribbean $	4.2903
Argentina	Austral	3.3360
Aruba	Florin	2.8638
Australia	Australian $	2.2370
Ghana	Cedi	288.84
Gibraltar	Gibraltar £	1.0
Greece	Drachma	225.88
Greenland	Danish Krone	11.3375
Grenada	E. Caribbean $	4.2903
Guadaloupe	Local Franc	9.98
Guam	U.S. $	1.5910
Guatemala	Quetzal	1.5910
		(F) 4.3260
Guinea	Franc	540.26
Panama	Balboa	1.5910
Papua New Guinea	Kina	1.4445
Paraguay	Guarani	508.42
		1263.25
Peru	Inti	(exc(o)22.27
		58.87
		31.61
Philippines	Philippine Peso	33.30
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.6840

§Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for Public Sector Debt and Essential imports. (5) Preferential rate. (6) Rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rate. (10) Rate for exports. (14) Nearly all business transactions. (15) Nigeria, Auction price for dollar N/A. (1b) Bolivia, New Currency introduced (Boliviano worth 1m Pesos) Jan 1 1987.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 14 1987					THURSDAY AUGUST 13 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	157.82	+0.5	147.15	148.26	2.43	156.96	147.29	147.93	157.82	99.92	76.90
Austria (16)	95.26	+0.1	88.82	92.69	2.22	95.12	89.25	93.15	101.62	85.53	90.72
Belgium (48)	131.17	+0.4	122.31	126.81	3.71	130.68	122.62	127.30	133.44	96.19	87.87
Canada (129)	140.64	−0.8	131.14	135.60	2.15	141.78	133.03	136.49	141.78	100.00	98.41
Denmark (39)	111.35	+1.1	103.83	109.27	2.52	110.09	103.30	108.89	124.10	98.18	94.93
France (121)	106.95	+2.3	99.72	105.19	2.67	104.51	98.07	103.33	121.82	98.39	93.81
West Germany (92)	102.08	+1.6	95.18	99.53	1.69	100.43	94.23	98.50	102.08	84.00	91.77
Hong Kong (45)	141.34	+0.3	131.79	141.73	2.57	140.97	132.28	141.36	142.69	96.89	77.39
Ireland (14)	139.95	+1.1	130.49	138.14	3.23	138.43	129.90	137.56	145.41	99.50	91.39
Italy (76)	87.48	+0.6	81.57	88.82	2.04	86.95	81.59	88.80	112.11	84.74	99.69
Japan (458)	141.13	+0.5	131.60	133.73	0.50	140.46	131.80	134.47	161.28	100.00	99.57
Malaysia (36)	188.94	−0.8	176.18	184.98	2.02	190.55	178.80	186.81	193.64	98.24	84.24
Mexico (14)	294.25	+0.5	274.37	463.92	0.64	292.70	274.65	461.63	309.34	99.72	65.12
Netherland (38)	130.57	+1.4	121.75	126.04	3.49	128.75	120.81	124.99	130.57	99.65	96.61
New Zealand (26)	117.78	+2.1	109.82	107.23	2.74	115.35	108.23	106.30	117.78	83.93	70.71
Norway (24)	170.77	+0.0	159.23	158.43	1.71	170.84	160.31	159.25	170.84	100.00	98.15
Singapore (27)	173.59	+0.5	161.86	168.19	1.47	172.74	162.09	167.60	174.00	99.29	88.45
South Africa (61)	168.29	−6.1	156.92	135.81	3.26	179.19	168.14	135.10	198.09	100.00	81.93
Spain (43)	142.05	+0.9	132.45	137.21	2.87	140.85	132.16	136.74	144.48	100.00	93.97
Sweden (33)	125.53	+1.5	117.05	121.16	1.90	123.70	116.07	120.16	125.53	90.85	97.08
Switzerland (53)	106.61	+1.8	99.40	102.97	1.60	104.76	98.30	101.81	106.61	92.01	89.91
United Kingdom (335)	149.03	+1.0	138.96	138.96	3.16	147.53	138.43	138.43	162.87	99.65	96.53
USA (590)	136.31	−0.1	127.10	136.31	2.68	136.47	128.05	136.47	136.47	100.00	103.25
Europe (932)	123.81	+1.3	115.44	118.59	2.75	122.28	114.74	117.84	128.35	99.78	94.83
Pacific Basin (686)	141.77	+0.5	132.19	134.48	0.65	141.09	132.39	135.14	158.77	100.00	97.92
Euro–Pacific (1618)	134.64	+0.8	125.55	128.15	1.42	133.63	125.39	128.25	143.65	100.00	96.70
North America (719)	136.54	−0.2	127.31	136.29	2.66	136.75	128.32	136.49	136.75	100.00	103.00
Europe Ex. UK (597)	108.16	+1.5	100.86	105.96	2.39	106.61	100.04	105.06	108.64	98.02	93.84
Pacific Ex. Japan (228)	149.61	+0.5	139.51	143.50	2.43	148.84	139.66	143.14	149.61	99.92	77.27
World Ex. US (1822)	135.33	+0.6	126.19	128.72	1.47	134.51	126.22	128.86	143.38	100.00	96.57
World Ex. UK (2077)	134.36	+0.2	125.29	131.00	1.81	134.03	125.77	131.21	134.36	100.00	99.43
World Ex. So. Af. (2351)	135.45	+0.4	126.30	131.67	1.93	134.94	126.62	131.81	135.45	100.00	99.27
World Ex. Japan (1954)	133.08	+0.2	124.09	130.71	2.68	132.75	124.57	130.57	133.08	100.00	98.97
The World Index (2412)	135.66	+0.3	126.50	131.73	1.94	135.22	126.89	131.87	135.66	100.00	99.17

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition.
AMENDMENTS to indices for August 14 apply to the following: The Netherlands, Europe, Euro-Pacific, Europe ex UK, World ex US, World ex UK, World ex South Africa, World ex Japan and the World Index.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 87 Vol.	Feb 87 Last	Stock
GOLD C	$460	15	1.70	130	21	127	33	$453.70
GOLD C	$480	65	0.40	153	13	5	21	"
GOLD C	$500	2	0.10	124	9	—	—	"
GOLD P	$420	—	—	280	3.50	10	7	"
GOLD P	$440	—	—	210	7.50	30	11	"

		Sep 87		Dec 87		Mch 87		
SILVER C	$700	15	80	—	—	—	—	$753
SILVER P	$700	—	—	20	30	—	—	"

		Aug 87		Sep 87		Oct 87		
$/Fl C	Fl.200	1	11.80	6	11.30B	—	—	Fl.211.69
$/Fl C	Fl.205	—	—	116	6.90	2	7.30	"
$/Fl C	Fl.210	120	1.90	21	3.30	—	—	"
$/Fl C	Fl.215	20	0.05	167	1	13	2	"
$/Fl C	Fl.220	—	—	—	—	10	0.80	"
$/Fl P	Fl.205	4	0.30A	14	0.50	—	—	"
$/Fl P	Fl.210	—	—	103	2.20	—	—	"

		Dec 87		Mch 88		Jun 88		
$/Fl C	Fl.200	21	11.80	29	12.50	8	12.80	Fl211.69
$/Fl C	Fl.205	55	8.70	100	9.20	—	—	"
$/Fl C	Fl.210	31	5.10	10	6.90	39	7.50	"
$/Fl C	Fl.215	16	3.20	50	4.70	13	6	"
$/Fl P	Fl.200	—	—	—	—	11	4.40	"
$/Fl P	Fl.205	3	2.70	—	—	—	—	"
$/Fl P	Fl.210	10	5	11	7.50	1	8.50	"

		Oct. 87		Jan. 88		Apr. 88		
AEGON C	Fl.50	13	2	56	3.60	—	—	Fl.100.50
AEGON P	Fl100	55	4	5.50	5.50	—	—	"
AHOLD C	Fl.110	71	6.70	30	9	—	—	Fl.111.90
AHOLD P	Fl.105	26	2.40	6	3.60	—	—	"
AKZO C	Fl.180	894	4.30	299	8.30	13	11.30B	Fl.171.60
AKZO P	Fl.150	306	0.70	11	2.50	—	—	"
AMEV C	Fl.60	110	9.80	9	10.50	—	—	Fl.69.50
AMEV P	Fl.70	43	4	2	4.50	5	5	"
AMRO C	Fl.90	1745	3.90	457	6.90	37	8.10	Fl.89.70
AMRO P	Fl.90	208	3.70	86	4.20	20	6	"
ELSEVIER C	Fl.60	647	6.60	5	9	—	—	Fl62.80
ELSEVIER P	Fl.55	—	—	207	2.50	—	—	"
GIST-BROC. P	Fl.45	32	0.70	103	1.50	—	—	Fl.52.20
HEINEKEN C	Fl.190	206	10.80	14	16	—	—	Fl.195.30
HEINEKEN P	Fl.190	27	6.70	11	9	—	—	"
HOOGOVENS C	Fl.55	236	1.60	35	3.50	8	4.50	Fl.48.30
HOOGOVENS P	Fl.45	392	3.20	28	4.20	—	—	"
KLM C	Fl.60	419	1.40	207	3.30	20	4.40	Fl.55.60
KLM P	Fl.50	11	0.90	85	108	—	—	"
NEDLLOYD C	Fl.180	145	9.30	40	13	1	21	Fl.167
NEDLLOYD P	Fl.170	263	16	19.50	19.50	—	—	"
NAT.NED. C	Fl.75	728	7.10	12	9.20	—	—	Fl.81.70
NAT.NED. P	Fl.80	91	2.70	22	3.70	—	—	"
PHILIPS C	Fl.60	501	1	93	3.30	63	3.20	Fl.54.30
PHILIPS P	Fl.55	113	2	12	3.50	1	4.40	"
ROYAL DUTCH C	Fl.290	488	7.10	114	13	10	19	Fl.285.80
ROYAL DUTCH P	Fl.290	400	12.50	30	15.50	3	17	"
ROBECO C	Fl.105	6	10.30	20	13.10B	—	—	Fl.115.40
ROBECO P	Fl.115	—	—	—	—	120	4.20	"
LEVER C	Fl.144	950	11.20	11.33	14.30	—	—	Fl.151.40
UNILEVER P	Fl.150	345	5	53	7.50	—	—	"

TOTAL VOLUME IN CONTRACTS: 40379

A=Ask B=Bid C=Call P=Put

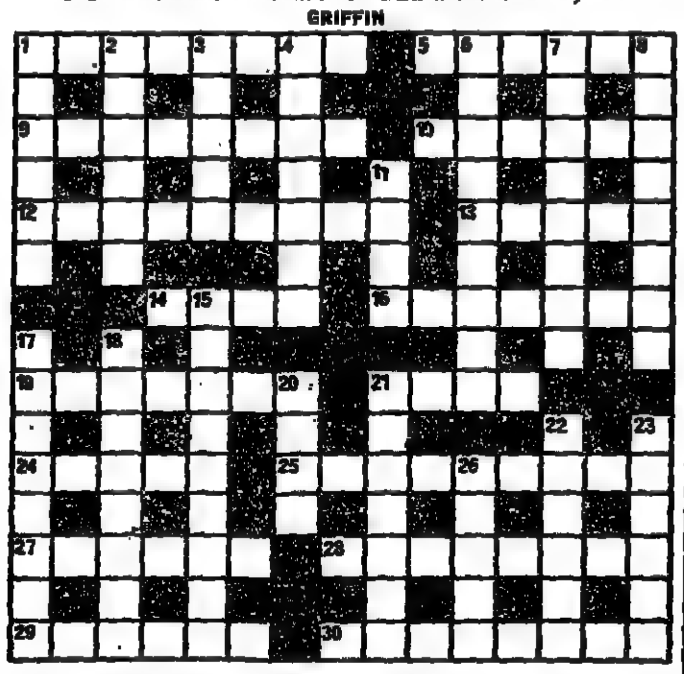
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'l Tst(C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	10	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	10	UDT Mortgage Exp.	¶10.4
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	10	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Comm'n Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 10.5%.

FT CROSSWORD PUZZLE No 6,407

GRIFFIN



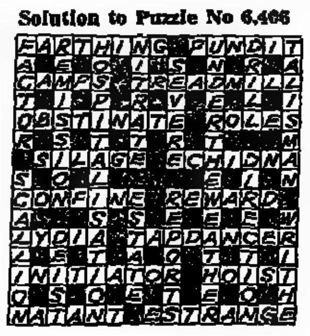
ACROSS

1 Cars go for service (8)
5 Appear well (6)
9 Elegant dress on a bride (8)
10 Rarely tell cook about it (6)
12 Carefully choosing new steel vice (9)
13 Jumbo may stand here (5)
14 Male model in sink (4)
16 Win about five in a bucket (7)
19 Gaelic vicar's first back (7)
21 Stone bull seen outside New York (4)
24 Pole in shaft ought to be mottled (5)
25 Expedition happy to find plant (9)
27 Unemotional doctor is told (6)
28 Disciplinarian satisfied about train disaster (8)
29 Get £2,000 in new role as lumberjack (6)
30 Peer inside iron vessel, being brave (8)

DOWN

1 Jellyfish made us disperse (6)
2 Fit for the match? (6)
3 Coins spun using soundwaves (5)
4 Collecting dried fruit on a string (7)
6 Hobby recently taken after hip operation (9)
7 Break in travel arrangements (8)
8 Jealous pilot damages plants (8)
11 Friend turns up holding key for vault (4)
15 Terrify Tories worried about sin (9)
17 Offer support to the poor also (8)
18 Yet lay preachers take it (8)
20 Letters said to provide comfort (4)
21 Work with knotted rope before tea break (7)
22 Meeting Connery before church (6)
23 Pastel cocktail dishes (6)
26 Prevent caribou swallowing turnip top (5)

Solution to Puzzle No 6,406



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)

Merlin Fund Management Ltd

Metropolitan Unit Trust Mngrs Ltd

Midland Bank Group UT Mngrs. Ltd

MIM Britannia Unit Tst Mgrs Ltd

Minster Fund Managers Ltd

Morgan Grenfell Unit Trust Managers

Murray Johnstone UT Mgmt.

NPI Mutual Unit Managers Ltd

NM Schroder Unit Trust Mngrs

National Provident Inv Mgrs Ltd

Norwich Unit Trust Managers

Octavian Unit Trust Mgrs Ltd

Oppenheimer Fund Mngt Ltd

Pearl Trust Managers Ltd (a)(g)

Pembroke Administration Ltd

Perpetual Unit Trust Mngmt.

Phillips & Drew Fnd Management Ltd

Prolific Unit Trust Managers Limited

Providence Capital Fd. Mgrs. Ltd

Provident Mutual Unit Trust Managers Ltd.

Prudential Unit Trust Mngrs Ltd (a) (b) (c)

Quilter Management Co Ltd

Reliance Unit Mgrs. Ltd

Rothschild Fund Managers

N.M. Rothschild Fund Mngmt

Royal Bank of Canada Fds.

Royal Life Fd Mgmt Ltd

Royal London Unit Tst Mgrs Ltd

Royal Trust Fund Management Ltd

SIM Unit Trust Management Ltd

SKG Management Limited

Save & Prosper Group

Scimitar Asset Management Ltd

Scottish Equitable Fund Mgrs. Ltd

Scottish Life Investments

Scottish Mutual Investment Managers Ltd

Scottish Provident Inv. Mgt. Ltd

Scottish Unit Managers

Scottish Widows' Fund Management

Sentinel Funds Mngmt Ltd

Smith & Williamson Unit Trust Mngrs

Sovereign Unit Trust Mngrs Ltd

Standard Life Trust Mgmt. Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)

Sun Alliance Fund Management Ltd

Sun Life of Canada Unit Mgrs Ltd

Sun Life Trust Mgmt. Ltd

Swiss Life Pen. Tst. Mns. Co Ltd

TSB Unit Trusts

3i Unit Trust Managers Ltd

Target Trust Mngrs. Ltd (a)(g)

Templeton Investment Management

Thornton Unit Managers Ltd

Touche, Remnant Unit Trust Mngt Ltd

Trades Union Unit Trust Managers

Trident Fd Mngrs. Ltd.

Tyndall Unit Trust Managers Limited

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

United Charities Unit Trusts

Vanguard Trust Managers Ltd

Wardley Unit Trust Managers Ltd

Waverley Asset Management Ltd

Wellington Fund Mngrs Ltd

Whittingdale Unit Trust Managers

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abbey Life Assurance—Contd.

Aetna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Ass. Co Ltd

American Life Insurance Co UK

Arrow Insurance Plc

Baltic Assurance

Barclays Life Assur. Co. Ltd

Black Horse Life Ass. Co Ltd

British National Life Assurance

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident

Gartmore Fund Managers Ltd

General Accident Linked Life Assurance

General Portfolio Life Ins. Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Guardian Royal Exchange

Growth & Sec. Life Assce. Soc. Ltd

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Imperial Trident Life Ltd

Irish Life Assurance Co Plc

Irish Life Assurance—Cont.

The LAS Group

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London & Manchester Group

London Indemnity & Gnl. Ins. Co Ltd

London Life

M & G Group

MGM Assurance

N. M. Rothschild

Lloyds Life Assurance

Lombard Life Assurance

Manulife

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	453.1	476.9		—
Property	282.2	297.1		—
Equity	571.0	601.0		—
Gilt Edged	352.1	370.6		—
Deposit	205.3	216.1		—
Investment	242.5	254.7		—
International	451.9	475.7		—
Pension Fund Prices				
Managed Inv.		377.7		—
Do. Accum.		389.9		—
Property Init.		244.1		—
Do. Accum.		299.5		—
Equity Init.		429.9		—
Do. Accum.		520.8		—
Gilt-Edged Init.		234.5		—
Do. Accum.		275.5		—
Guaranteed Init.		158.3		—
Do. Accum.		194.4		—
International Init.		585.1		—
Do. Accum.		668.4		—
Index Lk. Gilt Init.		135.7		—
Do. Accum.		166.4		—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	312.9		—
Property Pens.	416.0		—
Equity	198.0		—
Equity Pens.	894.8		—
Money Market	299.9		—
Money Mkt. Pens.	539.0		—
Deposit	237.8		—
Deposit Pens.	379.3		—
Managed	296.9		—
Managed Pens.	577.3		—
Intl. Equity	363.7		—
Do. Pens.	593.3		—
Jap Managed	330.0		—
Do. Pens.	492.6		—
North American	143.0		—
Do. Pens.	367.7		—
Far East	314.3		—
Do. Pens.	456.5		—
Intl. Currency	171.5		—

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101⅞	100⅛	Treas. 12pc 1987	100⅛	–⅛	11.96	9.90
99[illegible]	97[illegible]	Treas 7¼pc 1985-88‡‡	99[illegible]	+[illegible]	7.80	9.25
102¼	99[illegible]	Exch 10½pc '88	100[illegible]	–[illegible]	10.48	10.14
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	99[illegible]	–[illegible]	9.79	10.17
97[illegible]	95[illegible]	Transport 3pc '78-88	96¼	–[illegible]	3.10	6.74
101⅝	98[illegible]	Treas. 9½pc '88	99[illegible]	–[illegible]	9.59	10.27
105[illegible]	101[illegible]	Treas 11½pc 1989	101[illegible]xd	–⅛	11.32	10.24
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	98⅞	–⅛	9.61	10.23
94[illegible]	89¾	Treas 3pc 1989	93¼	–[illegible]	3.21	7.14
104⅛	99[illegible]	Treas 10½pc 1989	100[illegible]	–⅛	10.45	10.19
103[illegible]	98½	Exch 10pc 1989	99[illegible]	–⅛	10.04	10.21
105⅛	100⅝	Exch 11pc 1989	101[illegible]	–[illegible]	10.87	10.29
95[illegible]	89[illegible]	Treas 5pc 1986-89	93½	–[illegible]	5.35	8.32
108[illegible]	100¼	Exch 10¼pcCv '89	101[illegible]	–[illegible]	10.14	9.63
111[illegible]	105⅝	Treas 13pc 1990‡‡	106	–⅛	12.27	10.10
106[illegible]	100[illegible]	Exch 11pc 1990‡‡	101[illegible]	–¼	10.82	10.18
110[illegible]	104[illegible]	Exch. 12½pc 1990	105¼xd	–[illegible]	11.88	10.19
91[illegible]	84½	Treas. 3pc 1990	89[illegible]	–[illegible]	3.36	7.40
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	96⅞	–[illegible]	8.52	9.52
105	97⅞	Treas. 10pcCv 1990	99⅝	–[illegible]	10.07	10.24
89[illegible]	81[illegible]	Exch 2½pc 1990	86[illegible]	–[illegible]	2.88	7.13
110[illegible]	103¼	Treas 11¾pc 1991	104[illegible]	–¼	11.27	10.20
95[illegible]	87¾	Funding 5¾pc '87-91‡‡	90[illegible]	–[illegible]	6.37	8.94
89[illegible]	80¾	Treas. 3pc 1991	85¼	–[illegible]	3.50	7.45
110⅝	100[illegible]	Treas 10pc Cv '91 ‡‡	101[illegible]	–[illegible]	9.89	9.65
109⅝	101⅝	Exch. 11pc 1991	102¾	–¼	10.70	10.15
18[illegible]	15⅝	Treas. 8pc 1991 (20pd)	16[illegible]	+[illegible]	8.23	8.78
116[illegible]	108[illegible]	Treas 12¾pc 1992‡‡	108[illegible]	–[illegible]	11.70	10.17
106[illegible]	97[illegible]	Treas 10pc 1992	99⅝xd	–[illegible]	10.05	10.11
99[illegible]	92¼	Treas. 8pc 1992 ‡‡	92[illegible]	–½	8.15	8.97
108[illegible]	99[illegible]	Treas 10½pc Cv 1992‡‡	101[illegible]	–[illegible]	10.37	10.13
85¾	82	Treas. 3pc 1992	82	–[illegible]	3.50	6.46

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30 3/16	22 3/8	Sara Lee $1	29 1/4xd	−1/2	$1.00	—	2.1
11 1/4	8 7/8	Saul (B. F.) $1	11xd	−3/16	20c	—	1.1
26 5/8	19 7/8	Southwestern Bell $1	26 1/8	+1/4	h$2.33	—	5.4
19	14 1/4	Staley Continental	19	+1/8	80c	—	2.6
44 7/16	36 5/8	Sun Co. Inc. $1	40 1/16xd	−11/16	$3.00	—	4.6
42 3/4	28 1/2	TRW Inc. $0.625	41 1/4xd	−1/4	h$1.60	—	—
34 7/8	25 7/8	Tenneco $5	33 1/2xd	−1/4	$3.04	—	5.5
197 1/2	149 1/2	Do. 10pcLn Stk. 91-5	197 1/2xd		10%	—	5.1
29 7/8	17 1/2	Texaco $6.25	27 3/8xd	−1/4	$3.00	—	6.7
74 1/16	47 1/8	Time Inc. $1	71 1/2	−1	$1.00	—	0.9
14 1/2	11	Tracor $0.33	14 5/8	+1/8	40c	—	1.7
30 5/8	18 7/8	Transamerica $1	30 5/8	+1 1/2	$1.76	—	3.6
14 5/8	922p	Transworld Corp $5	14	−1/4	20c	—	0.9
49 5/8	29 3/4	TRINOVA Corp.	48 1/2xd	−1/8	h$1.00	—	1.3
24 7/16	15 1/2	USX $1	23 1/4	−1/2	$1.20	—	3.1
19 5/8	15 1/2	Union Carbide $1	17 3/8xd		$1.50	—	5.1
37 7/8	26 7/8	Utd. Technologies	37 3/8	+1	$1.40	—	2.3
38 5/8	27	US West	35 5/8	+1/2	$3.28	—	5.6
30 1/2	17 1/4	Waste Management $1	29 1/4	−1/4	—	—	—
£31 1/4	£20 1/2	Whirlpool $1.0	£24 1/4		—	—	
37 1/8	26	♦Woolworth $3 1/2	36 5/8	−1/4	$1.32	—	2.2

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

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[illegible]

INSURANCES—Continued

LEISURE

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Finance, Land, etc

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OIL AND GAS

OIL AND GAS—Continued

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Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

1987 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
90	21	♦Colby Res Corp.	47	-1	—	—	—
*300	127	Cons. Murch. 10c.	278	-5	Q60c	4.4	6.7
*70½	37½	♦Emeu.Int..Ir10p	62	-1	—	—	—
402	151	Greenwich Res.	392	-2	—	—	—
£33½	963	Hemlo Gold Mines	£31½	-¼	—	—	—
355	189	♦Highwood Res.	290	-2	—	—	—
£28¾	£16⅝	Homestake Mining $1	£26⅝	[illegible]	Q20c	—	0.5
455	150	♦McFinley Red Lake	403	-25	—	—	—
166	86	♦Musto Explorations	124		—	—	—
160	37½	♦New Sabina Res C$1	133		—	—	—
598	200	Northgate C$1	497	-3	—	—	—
237	104	Nor-Quest Resources	130		—	—	—
£14½	698	RTZ	£12⅞	-½	23.5	2.7	2.5
£359¾	£113½	Do 9½pcLn '95-2000	£268½	-5½	Q9½%	37.5	13.5
32½	11	♦Thorco Res. Inc.‖	28	+2	—	—	—

THIRD MARKET

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abelscor Group 10p	465	−20	3.5	2.7	1.2	43.6
45	28	Aberdeen Am Pet 10p	44		—	—	—	—
130	110	Allied Ins. Brokers	127	+2	L3.5	2.5	3.9	14.7
83	61	Amertoour Energy 10p	63		—	—	—	—
111	88	Ancaman Res. 10p	90	−3	—	—	—	—
46	9	Ardmore Pet. 'A'	23	+1	—	—	—	—
285	102	Broadcast Comms.	230	−2	—	—	—	—
98	45	Catalyst Comms. 5p	79		—	—	—	32.8
200	158	Chelsea Artisans 5p	158		—	—	—	21.2
180	150	Comac Group 5p	155		—	—	—	—
151	47	Corton Beach 10p	126		0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	155		—	—	—	—
		For Edensoring Ins see Broadcast Comms.						
*62	18	Eglinton Oil Ir.5p	30		—	—	—	—
41	17	Do. Warrants	19		—	—	—	—
186	101	Far East Res. 10p	151	−2	—	—	—	—
75	55	Gardner (J.) 5p	69	−1	R1.25	2.3	2.5	23.9
87	70	Lynx Tech 5p			[illegible]	—	—	8.6
82	17	Publishing Hldgs 5p	67	−3	—	—	—	38.8
7650	45½	Theme Holdings	68	−4	1.0	1.9	2.0	36.5
153	140	UPL Group 10p	147		L2.4	2.8	2.2	—
140	111	Unit Group	140s		R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	91	
Craig & Rose £1	550xr	
Finlay Pkg. 5p	115	−2
Holt (Jos) 25p	1085	+2
IoM Stm. £1	136	
IRISH		
Fund 11¼% 1988	£100¼	
Nat. 9¾% 84/89	£97¼	
Fin. 13% 97/02	£103⅞	
Arnotts	375	
CPI Hldgs	85	
Carroll Inds.	170	
Dublin Gas	15	
Hall (R. & H.)	130	
Heiton Hldgs	50	
Irish Ropes	190	
Unidare	440	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	28	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
July 27	Aug 6	Aug 7	Aug 17
Aug 10	Aug 20	Aug 21	Sept 1
Aug 24	Sept 10	Sept 11	Sept 21

* New time dealings may take place from 9.00 am two business days earlier.

Markets upset late by rumours of financial difficulties and imminent fund-raising

Speculation of possible financial difficulties coupled with rumours of another sizeable fund-raising operation disturbed operation disturbed UK security markets late yesterday. Other trading influences, including the laest retail sales figures, were forgotten as markets reacted nervously to revived talk of a securities house experiencing problems. Making matters worse were mounting convictions that Standard Chartetred would announce a £400m rights issue this month.

The FT-SE 100 share index rapidly extended a noon fall of only 9 points to close 35.8 down at 2259.6, anly a touch off the day's lowest level. Bonds behaved similarly, and were nearly a full point lower.

Traders were earlier pleased that Account Day, when investors are required to settle losses incurred during the previous Account, had passed without a hitch. This seemed to quash speculation last week that some clients, or even a broking house, could experience difficulty.

The latest econmic numbers — the provisional retail sales figures for July — gave few fresh clues to investors. A light trade reminded dealers of the years when seasonal considerations often affected investment interest and led to a marked contraction in volume throughout the month of August.

High Street spending last month was up 1.4 per cent and within a whisker of the highest estimate. It confirmed the view published earlier yesterday, in the CBI/FT survey of distributive trades, of accelerating retail sales growth.. The news was slightly less favourable than any of last week's clutch of pointers, but was no cause for alarm. However, it did reinforce the theories held by some commentators of the economy overheating.

UK security markets had opened cautiously behind the slightly easier ternds on Wall Street (Friday) and on Tokyo (yesterday). The latest manoeuvres in the Gulf also imparted restraint and before long values were drifting lower still. The lack of domestic retail interest was very noticeable with institutional and private investors appearing content to awaint Thursday's money supply and banking statistics before making any serious commitment.

Government bonds were caught up in the late uncertainty. Domestic retail interest was negligible and marketmakers reported little pressure either to sell or buy. Institutional investors seemed unimpressed by the US bond market, which coped will with last week's Treasury refunding programme, and showed a little anxiety over the trend of UK retail sales. The Bank of England points out that it did not make an issue of index-linked stock on Friday.

The **Standard Chartered** right issue rumours were initiated by Press comment. The shares drifted back in the morning and even staged a tentative rally. But a wave of selling in the afternoon accompanied rumours of a one-for-one rights at around 350p a share to raise some £400m. The rights issue would be needed, according to dealers, to finance a major provision against third world debt, moves which the "big four" clearers have already taken. Wood Mackenzie are going for pre-tax and pre-provision profits of £140m while Savory Milln are forecasting £145m, pre-tax and pre-provision. Standard Chartered fell 54 to 750p.

Unilever, the Anglo-Dutch foods to chemicals company, reacted sharply to close 57 down at 658p amid disappointment with the second-quarter figures. Analysts forecasts had ranged to around the £390m mark for the period. In the event, Unilever weighed in with pre-tax profits some £17m below this level.

Pilkington, the St Helens based glass manufacturer, eased 15 to 300p in the wake of the company's proposed acquisition of Vision Care, a subsidiary of Revlon of the US, for a consideration of approximately £361m.

To help finance the acquisition Pilkington is making a £255m placing at 290p per share with a claw-back for Ordinary shareholders on a one1for-seven basis at a similar price. Vision Care maes a wide range of contact lense processing equipment and spectacle lenses.

The Standard Chartered rights issue speculation upset other leading banks and caused a reversal in the merchant banks which earlier had extended their recent upsurge.

The "big-four" showed **Barclays** finally 14 lower at 553p—the bank is the main recommendation, along with Royal Bank of Scotland, of securities house BZW who reckon the sector will outperform other equities on a three to six month view.

A welter of comment in the weekend Press on the possibilities of numerous takeover bids in the merchant bank sector gave another strong boost to share prices. **Hill Samuel**, where rumours suggest that Union Bank of Switzerland will have to pay in the region of 800p to win over the Hill Samuel board and then fight off other bidders, gained 9 more to 763p. **Hambros**, another bid target in the sector, leapt 9 more to 358p. **Kleinwort Benson** rose 6 to 617p and **Schroders** ⅛ to £13¾. **Morgan Grenfell**, where Australia's Alan Bond is rumoured to have recently been a buyer and picked up a substantial stake in the company, touched 575p early on before sliding back to close a net 2 off at 567p. **Chancery Securities**, which last week acquired broker Branston and Gothard, jumped 15 more to 340p on Press suggestions that another acquisition in the financial services sector is imminent. **Sedgwick** again made the running in a generally dispirited and quiet insurance market; takeover speculation and talk that a major interest in the group has been acquired by "down-under" parties saw the shares up to 342p early on before the general downturn and profit-taking prompted a close of 327p, a net gain of 4.

An otherwise lacklustre day in the Building sector was featured by a jump of 12 to 190p in **Trent Holdings** on the announcement that D. W. Watts and certain other associates acting in concert have acquired a 6.1 per cent stake in the company. Elsewhere, **Taylor Woodrow** ran into selling and gave up 13 to 473p, while profit-taking clipped 12 from **Stanley Miller** at 131p. **Blue Circle** drifted off to close 14 lower at 464p.

Profit-taking after the interim figures left **Blagden Industries** 10 cheaper at 226p.

Initial strength in leading high street Retailers—stemming from the encouraging tenor of the latest CBI/FT distributive trades survey and the provisional retail sales figures from July—was almost totally eradicated by the general shake-out in domestic equities. **Burton** closed 9 off at 292p, while similar net losses were recorded by **Woolworth**, 359, and **Dixons**, 338p. Only **GUS A**, a fraction dearer at £13⅛ escaped the malaise. **Storehouse**, already lower on profit-taking after a widespread weekend Press, dipped further to 380p—a loss of 21 on balance. **Harris Queensway** remained extremely nervous and dipped 7 to 176p, while **W.H. Smith A**, interim results due tomorrow, shed 6 to 386p.

British Telecom drifted back 3 to 267½p on a turnover of 9.8m shares while **Racal**—which along with Telecom has been granted the UK part of the proposed development of the pan-European cellular network—fell 10½ to 304½p.

BSR initially rose to 130p on the interim pre-tax profits which at £5.7m were a shade better than the majority of market forecasts of £5.3m but later fell back to close a net 4 off at 123p. **Wholesale Fittings** continued to reflect disappointment with last Friday's preliminary figures.

Among a handful of firm features **International Signal** were outstanding and jumped 8 to 225p, after 228p, on market talk that the company's management are visiting UK brokers and institutions. **GEC** lost 6 to 213p on a turnover of 5.1m shares.

Among the occasional bright spot in the Engineering sector, **United Spring** firmed 14½ to 110½ in response to Press mention with **W. A. Tyzack** improving 6 to 187p for a similar reason. **Press Tools**, in which Mr Greg Hutchings recently acquired a sizeable stake, advanced 28 further to 443p.

Beecham held relatively steady at 555p in the wake of the company's proposal to sell DAP Inc., its US based retail and industrial home improvement products business for approximately $123m cash.

Elsewhere, in the miscellaneous industrial sector, **Highgate and Job** jumped 190 to 500p on the proposal to raise £2m via a rights issue and placing accompanied by board appointments. Weekend Press mentin stimulated interest in **British Syphon**, 22 to the good at 174p and **Halma** 5 firmer at 188p. **Pearson**, in contrast, drifted back 12 to 760p following the interim figures, while **Turner and Newall** fell 12 to 255p n news that the company is being sued by Chase Manhattan Bank over asbestos in its New York headquarters building. **Pavion** dipped 7 to 30½p in belated response to the company's statement on Friday that the level of its share price — 37½p on that day — was unjustified.

Pleasurama, the expansive leisure group, touched 200p before settling 3 dearer on balance at 197p; BZW rate the share as a "buy" on recovery grounds and expect the group to achieve pre-tax profits of £17m when the interim figures rae released later this month.

Jaguar, a couple of pence firmer at the outset largely reflecting a lively business in the US, settled 2 off on balance at 585p awaiting today's half-time statement which is expected to show profits of around £53m-£55m. **Eavertook** [illegible] Friday's advance a stage further and touched a new peak of 105p before closing with a net gain of 8 at 102p. Motor and aircraft component manufacturers highlighted **FR** which rose 6 to 401p, after 405p, following news that its Poole-based subsidiary W.E.S. has been awarded a £5m contract by British Aerospace to provide systems for the Rapier 2000 missile. Recently-bouyant Distributors on the other hand, reacted to profit-taking with **T. Cowie** 30 lower at 860p, a decline which brought bout a sympthetic fall in **Trimoco**, finally 4 down at 57p.

Resisting the downward trend in the Property leaders, **Capital and Counties** improved 10 more to 425p, following the passing of the capital proposals at the extraordinary general meeting. **Land Securities**, in contrast, gave up 15 to 527p, while **MEPC**, reflecting fading bid hopes, gave up 15 more to 504p. **Arlington** firmed 5 to 280p on the announcement that the company has received outline planning consent for a Business Park on a 50 acre site in the south east quadrant of junction 12 of the M4 at Theale, Berkshire. **London and Metropolitan** responded to a Press suggestion that the company is set to announce a management contract to redevelop British and Commonwealth's headquarters, **Cayzer House**, with a gain of 8 at 281p.

Worries about overproduction by Opec members and other oil producers outweighed concerns over disruption to oil supplies from the Middle East and triggered some hefty losses throughout the oil and gas sector. Oil prices moved progressively lower and Brent crude for September delivery fell decisively through the $19 a barrel level to touch $18.85 before closing around $18.95. Share prices, also drifting in relatively quiet business, dropped sharply in mid-afternoon when selling pressure—mainly between market makers—picked up significantly. Rumours of heavy US selling were exaggerated, according to dealers. **BP**, where 16m shares were traded, finally settled 15 off at 354p, **Shell** lost ⅛ to £14⅛ and **Britoil** dipped 11 to 303½p.

The decline in gold during the morning prompted widespread falls among South African golds but these rallied smartly after midday following rumours, emanating from South Africa that a settlement of the wage dispute is imminent. The black mineworkers union is currently holding talks with Anglo American Corporation.

Mining financials showed **Consolidated Gold Fields** down ¼ at £13¾; news that T. Boone Pickens and his associates have built up a 9.1 per cent stake in Newmont Mining—itself 26 per cent owned by Gold Fields—triggered stories that Gold Fields may well move to increase its stake in Newmont to thwart Pickens.

Traded Options

The almost featureless display by London equities—at least during traded option dealing hours—hardly proved conducive to business levels. Total contracts transacted amounted to 31,678, the lowest for some three weeks. Nevertheless, dealers reported active trading in **British Telecom** options with 3,606 calls done, 1,507 of which were struck in the November 280 series. BT also attracted 5,367 puts, 2,896 being done in the August 300's. Operators also showed fresh enthusiasm for **GEC** positions which, in an extremely evenly-balanced business, recorded 1,315 calls and 1,308 puts.

Traditional Options

- First dealings Aug 3
- Last dealings Aug 14
- Last declaration Nov 5
- For Settlement Nov 16

For rate indications see end of London Share Service

Stocks dealt in for the call included **Common Bros.**, **Newage Transmissions**, **Amber Day**, **Ultramar**, **Cluff Oil**, **Barratt Developments**, **North Kalgurli**, **Excalibur Jewellery**, **Rolls-Royce**, **Rotaprint**, **Control Securities**, **Pavion**, **Amstrad**, **Rothmans**, **Alexanders Holdings** and **J. E. England**. A put was arranged in **Unigate**, while **Burns Anderson** were dealt in for the double.

London Traded Options were not available for this edition

FINANCIAL TIMES STOCK INDICES

	Aug. 17	Aug. 14	Aug. 13	Aug. 12	Aug. 11	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	86.67	87.03	86.48	86.56	86.26	89.29	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.07	94.31	94.32	94.74	95.96	95.46	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1764.0	1785.3	1778.6	1775.2	1772.6	1273.6	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	401.6	416.2	438.3	446.0	444.4	224.9	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.27	3.24	3.24	3.25	3.26	4.35				
Earnings Yld.%(full)	8.13	8.05	8.03	8.07	8.07	10.51				
P/E Ratio (net) (*)	15.06	15.22	15.28	15.21	15.18	11.61				
SEAQ Bargains (5 pm)	34,559	38,119	35,152	49,620	48,770	—				
Equity Turnover (£m)	—	1117.72	1721.10	2088.64	1699.99	475.88				
Equity Bargains	—	39,663	46,141	58,135	54,070	19,757				
Shares Traded (ml)	—	463.7	459.9	658.4	—	221.9				

S.E. ACTIVITY

Indices	Aug. 14	Aug. 13
Gilt Edged Bargains	122.9	105.6
Equity Bargains	257.0	299.0
Equity Value	2259.2	3478.8
5-Day Average		
Gilt Edged Bargains	117.3	115.7
Equity Bargains	331.1	360.3
Equity Value	3238.6	3622.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1781.5	1781.7	1779.4	1781.3	1780.0	1779.5	1777.7	1775.6

Day's High 1782.8 Day's Low 1763.7. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.82

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (79)

AMERICANS (5), CANADIANS (1), BANKS (1), BREWERS (1), BUILDINGS (2), STORES (3), ELECTRICALS (5), ENGINEERING (5), FOODS (4), INDUSTRIALS (16), INSURANCE (3), LEISURE (1), MOTORS (3), PAPERS (4), PROPERTY (1), TRUSTS (20), OILS (1), MINES (3).

NEW LOWS (6)

BRITISH FUNDS (1) Treas. 5pc 1999, LOANS (1) N'wide. 3¾pc I.L. 2021, CANADIANS (1) ABM Gold, BANKS (1) MCorp., ELECTRICALS (1) Admiral Computing, MINES (1) Cons. Modderfontein.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,000	193	−5	Ladbroke	501	440	−5
Allied Lyons	1,700	419	−3	Land Securities	1,700	527	−15
Amstrad	2,200	157	−4	Legal & Gen.	185	322	−10
Argyll Group	930	435	−1	Lloyds Bank	99900	313	−8
Assoc. Brit. Foods	393	371	−1	Lonrho	1,100	296½	−5½
BAT	3,000	656	+12	MEPC	1,100	504	−15
BET	469	271	—	Marks & Spencer	5,700	238	−4
BOC	318	529	−4	Midland Bank	593	453	−12
BPB Inds.	969	355	−9	NatWest Bank	1,000	735	−13
BPCC	912	343	−12	Next	1,100	312	−6
BTR	1,100	326	−5	Pearson	1,500	760	−12
Barclays	1,100	553	−14	P & O	700	686	−7
Bass	182	922	−7	Pilkington Bros	3,900	300	−15
Beecham	1,400	555	−1	Plessey	5,500	193	—
Blue Circle	227	464	−14	Prudential	103	£10⅛	−⅛
Boots	922	311	−3	Racal	6,500	304½	−10½
Brit. Airways	1,800	202	−6	Rank Org.	70	719	−1
Brit. Aero	659	490	−5	RHM	56700	328½	+½
Brit. & Comm.	872	500	−4	Reckitt & Col	226	£11⅛	—
British Gas	5,500	180½	—	Redland	290	503	−8
Britoil	2,100	303½	−11	Reed Intl.	497	513	−5
BP	10,000	354	−15	Reuters	137	889	−5
Brit. Telecom	9,800	267½	−3	RMC	45	459	−7
Bunzl	160	249	−4	RTZ	923	£12⅛	−⅛
Burton	3,300	292	−9	Rolls-Royce	5,600	109	−4
Cable & Wire	2,400	439	−3	Rowntree	671	581	−3
Cadbury Schwps	2,700	266	−3	Ryl Bank Scotland	120	384	−4
Coats Viyella	246	360	−8	Royal Insurance	3,100	493	−5
Comm. Union	1,000	365	−1	STC	4,400	284	−1
Cons. Gold	868	£13¾	−¼	Saatchi & Saatchi	326	667	−7
Cookson	140	769	−3	Sainsbury	349	273	−3
Courtaulds	430	475	−7½	Scott & Newcastle	416	295	−2
Dee Corpn	4,000	219	−2	Sears	1,400	165	−2½
Dixons Group	652	338	−7	Sedgwick	2,000	327	+4
English China Clays	938	487	−2	Shell Trans	2,700	£14⅛	−⅛
Fisons	2,100	359	−3	Smith & Nephew	335	177½	−1
Gen. Accident	114	987	−7	Standard Chart	987	750	−54
Gen. Elect	5,100	212	−6	Storehouse	8,100	380	−21
Glaxo	487	£17⅞	—	Sun Alliance	165	998	−12
Globe Investment	88	179¼	−½	TSB	2,500	83	—
Granada	1,600	318	−5	Tarmac	1,400	291	−6
Grand Met	736	557	−5	Tesco	3,100	184	−2
GUS "A"	175	£13⅛	+⅛	Thorn EMI	1,100	665	−8
Guardian R.E.	184	£10⅛	−⅛	Trafalgar House	536	365	−10
GKN	66300	404	−7	T'house Forte	1,300	246	−3
Guinness	1,700	352	−2	Ultramar	1,800	260	−21
Hammerson	37	598	−5	Unigate	2,300	407	+2
Hanson Trust	6,300	193	−1½	Unilever	4,500	658	−57
Hawker Sidd.	741	564	−7	United Biscuits	1,300	331	—
Hillsdown Hldgs	4,200	320	+1	Wellcome	389	451	−12
ICI	770	£15⅛	−⅛	Whitbread "A"	546	343	−7
Jaguar	2,000	585	−2	Woolworth	158	359	−9

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	108	3
Corporations, Dominion and Foreign Bonds	4	19	34
Industrials	361	553	663
Financial and Properties	177	154	271
Oils	20	48	47
Plantations	3	4	7
Mines	25	87	78
Others	35	136	901
Totals	627	1,109	1,193

'Men and matters'

To celebrate the 50th anniversary of Men and Matters we are offering readers a free booklet containing selected cartoons and humorous tailpieces that have appeared in these columns during the past years.

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Miss Tracie Gooch
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Financial Times
10 Cannon Street
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FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Aug 17 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri August 14 Index No.	Thurs August 13 Index No.	Wed August 12 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	945.52	−1.3	7.43	2.90	16.89	13.37	958.12	952.94	954.91	689.40
2	Building Materials (30)	1183.42	−2.0	7.53	2.90	16.54	17.51	1208.16	1205.86	1218.34	786.89
3	Contracting, Construction (33)	1721.62	−0.9	7.01	2.79	19.08	19.38	1737.24	1729.94	1731.19	1223.80
4	Electricals (12)	2462.77	−0.6	5.99	3.12	21.51	36.50	2476.60	2488.15	2506.12	1812.65
5	Electronics (35)	2014.54	−1.6	8.01	2.47	16.28	30.29	2048.16	2034.77	2037.33	1553.84
6	Mechanical Engineering (60)	512.17	−0.9	8.01	3.32	15.65	8.34	516.62	515.60	513.74	382.71
8	Metals and Metal Forming (7)	554.32	−0.9	7.01	2.84	17.20	6.86	559.26	545.52	546.03	337.19
9	Motors (14)	389.75	−1.1	8.52	2.81	13.44	3.79	393.91	391.04	391.66	280.57
10	Other Industrial Materials (21)	1589.85	−1.1	6.04	3.07	19.97	22.85	1607.49	1591.66	1591.78	1225.18
21	CONSUMER GROUP (183)	1312.00	−1.3	6.03	2.59	21.29	15.48	1328.94	1318.99	1314.48	926.74
22	Brewers and Distillers (22)	1168.99	−0.8	8.01	3.05	15.79	13.24	1178.20	1175.23	1178.21	919.79
25	Food Manufacturing (24)	1031.61	−2.5	6.88	2.96	19.11	15.17	1057.85	1045.79	1026.67	698.66
26	Food Retailing (16)	2425.27	−1.1	5.39	2.39	25.36	32.14	2453.42	2444.91	2450.18	1920.41
27	Health and Household Goods (10)	2563.10	−0.5	3.98	1.56	29.32	15.15	2575.98	2580.00	2555.77	1534.71
29	Leisure (31)	1350.90	−0.8	6.18	3.22	20.96	22.02	1361.41	1350.59	1361.69	921.62
31	Packaging & Paper (15)	690.19	−1.0	5.92	2.51	22.37	8.27	697.07	684.31	679.70	484.72
32	Publishing & Printing (13)	4397.90	−1.5	4.72	3.23	27.21	59.63	4464.41	4407.80	4424.58	2566.41
34	Stores (36)	1067.34	−1.6	6.63	2.71	20.48	13.26	1084.69	1069.87	1072.51	880.10
35	Textiles (16)	817.93	−1.8	7.58	2.74	15.31	11.71	832.57	818.97	808.60	533.14
40	OTHER GROUPS (88)	1128.20	−0.6	7.69	3.12	16.25	17.48	1135.05	1128.80	1130.47	774.00
41	Agencies (16)	1718.55	−0.6	4.07	1.40	32.37	11.90	1729.34	1717.18	1722.18	0.0
42	Chemicals (22)	1427.93	−0.9	6.90	3.19	17.72	31.36	1440.58	1430.07	1428.68	928.61
43	Conglomerates (12)	1466.68	−0.8	7.28	3.14	15.70	18.93	1479.23	1469.53	1460.58	0.0
45	Shipping and Transport (12)	2266.92	−1.1	7.09	3.51	18.76	38.03	2291.30	2282.08	2287.90	1486.05
47	Telephone Networks (2)	1074.28	−1.0	9.44	3.76	14.13	18.98	1085.31	1080.59	1086.83	815.75
48	Miscellaneous (24)	1648.39	+0.8	8.43	2.69	14.23	19.03	1635.21	1628.40	1635.41	1054.45
49	INDUSTRIAL GROUP (483)	1181.06	−1.1	6.84	2.82	18.49	15.82	1194.21	1186.55	1185.75	835.08
51	Oil & Gas (17)	2213.35	−2.9	7.47	4.27	16.56	45.30	2279.02	2311.46	2280.45	1273.02
59	500 SHARE INDEX (500)	1268.71	−1.4	6.94	3.03	18.17	18.39	1286.31	1282.05	1278.68	873.09
61	FINANCIAL GROUP (119)	806.59	−1.3	—	3.75	—	16.14	817.54	809.51	815.23	599.40
62	Banks (8)	798.99	−2.0	16.71	4.86	7.91	24.84	815.70	804.68	809.72	647.55
65	Insurance (Life) (9)	1105.95	−1.3	—	3.81	—	20.71	1120.76	1103.01	1111.94	870.77
66	Insurance (Composite) (7)	594.55	−0.8	—	4.45	—	11.76	599.28	596.77	609.94	470.50
67	Insurance (Brokers) (9)	1292.42	−0.5	9.16	4.31	14.08	26.47	1298.37	1289.35	1297.49	1212.40
68	Merchant Banks (11)	513.48	+0.4	—	2.64	—	6.88	511.25	492.67	486.79	343.21
69	Property (47)	1217.43	−1.8	3.92	2.43	32.97	12.90	1239.97	1241.42	1248.92	764.96
70	Other Financial (28)	560.01	−0.7	6.02	2.74	21.05	7.44	563.87	561.05	562.16	338.25
71	Investment Trusts (91)	1139.84	+0.3	—	2.12	—	11.86	1135.97	1132.19	1128.79	769.37
81	Mining Finance (2)	656.14	−2.9	5.15	2.53	22.33	6.79	675.91	684.46	685.79	270.95
91	Overseas Traders (10)	1165.40	−0.9	7.82	4.84	15.19	28.08	1176.16	1175.07	1179.12	640.93
99	ALL-SHARE INDEX (722)	1150.56	−1.3	—	3.11	—	17.46	1165.95	1161.26	1160.04	793.93

	Index No.	Day's Change	Day's High	Day's Low	August 14	August 13	August 12	August 11	August 10	Year ago
FT-SE 100 SHARE INDEX ‡	2295.4	+5.3	2307.3	2289.0	2290.1	2286.1	2275.4	2242.2	2226.2	1609.0

FIXED INTEREST

	PRICE INDICES	Mon August 17	Day's change %	Fri August 14	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	121.82	−0.17	121.48	0.26	7.08
2	5-15 years	135.77	−0.41	136.58	0.25	9.18
3	Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Index-Linked					
6	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	AVERAGE GROSS REDEMPTION YIELDS		Mon August 17	Fri August 14	Year ago (approx.)
	British Government				
1	Low	5 years	9.02	8.95	8.30
2	Coupons	15 years	9.65	9.57	9.18
3		25 years	9.65	9.57	9.22
4	Medium	5 years	10.14	10.04	9.52
5	Coupons	15 years	9.92	9.83	9.50
6		25 years	9.76	9.68	9.48
7	High	5 years	10.23	10.13	9.63
8	Coupons	15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	[illegible]	[illegible]	[illegible]
12	Inflat'n rate 5%	Over 5 yrs	[illegible]	[illegible]	[illegible]
13	Inflat'n rate 10%	5 yrs	[illegible]	[illegible]	[illegible]
14	Inflat'n rate 10%	Over 5 yrs	[illegible]	[illegible]	[illegible]
15	Debs &	5 years	[illegible]	[illegible]	[illegible]
16	Loans	15 years	[illegible]	[illegible]	[illegible]
17		25 years	[illegible]	[illegible]	[illegible]
18	Preference		[illegible]	[illegible]	[illegible]

‡Opening index [illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
£110	F.P.	—	121	113	Adscene	115	......	L2.5	1.9	3.0	24.3
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. [illegible]

WORLD STOCK MARKETS

AUSTRIA

Aug. 17	Price Sch.%	+ or −
Creditanstalt	2100.00	.....
Goesser	3070.00	−10
Interunfall	12,300	−50
Jungbunzlauer	8630	+130
Laenderbank	1975.00	+25
Perlmooser	690.00	−5
Steyr-Daimler	127.00	.....
Veitscher Mag	850.00	.....

BELGIUM/LUXEMBOURG

Aug. 14	Price Frs.	+ or −
B.B.L.	3465	.....
Banque Gen. Du. L	14850	.....
Bank Int. A	14300	.....
Bekaert B	12500	.....
Ciment CBR	6600	.....
Cockerill	185	.....
Delhaize	4580	.....
EBES	5418	.....
Fabrique Nat	1530	.....
GB Inno BM	1396	.....
GBL (Brux) L	4330	.....
Generale Bank	6550	.....
Gevaert	8700	.....
Hoboken	8590	.....
Intercom	4235	.....
Kredietbank	4900	.....
Pan Holdings	13400	.....
Petrofina	13900	.....
Raffinerie Tirle	1820	.....
Royale Belge	6290	.....
Soc Gen Belge	4010.00	.....
Sofina	16300	.....
Solvay	15000	.....
Stanwick Intl.	550	.....
Tractabel	8450	.....
UCB	11575	.....
Wagons Lits	5940	.....

DENMARK

Aug. 17	Price Kr %	+ or −
Baltica Skand	1020.00	+50
Cop Handelsbank	258.00	+10
D. Sukkerfab	314.00	+21
Den Danske Bank	346	+7
East Asiatic	189.00	+5
Forenede Bryggs	885	+20
GNT Holding	245.00	+10
I.S.S.B. Systems	775.00	.....
Jyske Bank	486	+18
Novo Inds.*	242.00	+2
Privatbanken	266.00	+7
Sophus Berendsen	950.00	+30
Superfos	254.00	+8

FINLAND

Aug. 17	Price Mks	+ or −
Amer	244	.....
KOP	54.70	−0.05
Kone	242.5	+4.5
Finnish Sugar	93.25	−0.75
Nokia	206	+3
Pohjola 'B'	107.5	+3
Rauma-Repola	34.5	+2
Stockmann 'B'	270	+8
UBF 'C'	33.3	+0.55
Utd. Paper	161.5	−0.5
Wartsila (s11)	234.5	.....

FRANCE

Aug. 17	Price Frs.	+ or −
Emprunt 4½% '73	1915	−16
Emprunt 7% 1973	9270	−125
Accor	471.20	+3.2
Agence Havas	345.00	+10
Air Liquide	698	+1
Alcatel	2585	+15
BIC	740	−12
BNP (Cert. Inv.)	535	+1
Bongrain	2920	+20
Bouygues	1205	−3
BSN Gervais	4955	+13
Carrefour	3335	+45
Club Mediterranee	657.00	+2
Cie Bancaire	690	+2
Coflmeg	336	.....
CGE	345.0	+0.3
Damart	2800	−90
Darty	442	+1
Dumez S.A.	1120	+6
Eaux (Cie Gen)	1260	+10
Elf-Aquitaine	375.00	−3.5
Essilor	4185	−45
Gen. Occidentale	1116	.....
Imetal	174.00	−0.9
Lafarge Coppee	1641	−9
L'Oreal	3901	+1
Legrand	2745.00	.....
Maisons Phenix	68	+1
Matra S.A.	2160	−55
Michelin B	334	+2
Midi (Cie)	1270	−5
Moet-Hennessy	2920	+15
Moulinex	79	−1
Nord Est	161.00	−1.5
Paribas	437.00	−4
Pernod Ricard	968.00	+1
Perrier	847	+2
Petroles Fra	441	+1
Peugeot S.A.	1545	+15
Printemps Au	663	+23
Radiotech	1554	.....
Redoute	2975	+13
Roussel-Uclaf	1420	+19
St. Gobain	492.20	−1.8
Sefimeg	452	−4
Skis Rossignol	1200	.....
Telemech Elect	3320	+30
Thompson (CSF)	1239	−21
Valeo	616.00	+1

GERMANY

Aug. 17	Price Dm.	+ or −
AEG	360.20	+1.2
Allianz Vers	2177.00	+92
BASF	340.00	+3.8
Bayer	361.90	+3.9
Bayer-Hypo	507.00	+10
Bayer-Verein	501.00	+2
BHF-Bank	495.00	+10
BMW	749.00	+7
Brown Boveri	363.00	−3
Commerzbank	330.00	+6
Cont'l Gummi	372.00	−1
Daimler-Benz	1203.00	−2
Degussa	548.50	−0.5
D'sche Babcock	246.20	+1.2
Deutsche Bank	723.50	+9.5
Dresdner Bank	372.00	+7
Feldmuehle Nobel	342.00	+7
Henkel	570.50	+3
Hochtief	720.00	+7
Hoechst	335.50	+3
Hoesch Werke	137.90	+1.9
Holzmann (P)	468.00	+15.5
Horten	251.00	+1
Hussel	653.00	+1
Karstadt	550.00	+5
Kaufhof	511.00	−2.5
KHD	197.50	−2.5
Kloeckner Werke	148.00	.....
Linde	784.00	−2
Lufthansa	205.00	−7
MAN	200.90	+0.9
Mannesmann	186.50	+0.7
Mercedes Hld.	1055.50	+5
Metallgesell	395.00	.....
Muench Rueck	2090	+10
Nixdorf	860.00	+2
Porsche	1005.00	.....
Preussag	206.00	+3
Rhein West Elect.	265.00	+10.5
Rosenthal	289.50	−2.5
Schering	634.00	+4
Siemens	691.00	−4
Thyssen	140.00	−0.8
Varta	360.00	.....
Veba	326.20	−1.3
V.E.W.	168.20	+2
Verein-West	463.00	+3
Volkswagen	411.00	+8

ITALY

Aug. 17	Price Lire	+ or −
Banca Com'le	2901	−69
Bastogi-IRBS	473.00	−28
CIR	5475	+5
Credito Italian	1791	−59
Fiat	10800	−295
Generali Assicur	123150	−2400
Italcement	104600	−2600
La Rinascenti	999	−31
Montedison	2190	−30
Olivetti	11265	−585
Pirelli Co	5885	−65
Pirelli Spa	4400	+15
Saipem	3630	.....
Snia BPD	3320	−6
Toro Assic	27990	−710

NETHERLANDS

Aug. 17	Price Fls.	+ or −
ACF Holding	65.00	+0.7
AEGON	100.50	+1.1
Ahold	111.90	−0.1
AKZO	172.60	+2
ABN	520.00	+9
AMEV	69.50	+1.2
AMRO	89.70	+2.7
Buehrmann-Tet	59.10	+1.3
Dordtsche Petroleum	258.20	−3.5
Elsevier Ndu	62.80	−0.7
Fokker	61.30	−0.3
Gist Brocades	52.20	+0.2
Heineken	195.30	−0.7
Hoogovens	46.30	+0.3
Hunter Douglas	64.70	−0.1
IHC Caland	22.50	.....
Int Mueller	69.40	−0.6
KLM	55.60	.....
KNP	163.70	−1.3
Nat Ned Cert	81.70	+1.5
Ned Mid Bank	179.00	+6.5
Ned Lloyd	167.00	−11.5
Oce Grinten	470.00	−5
Ommeren (Van)	38.70	−1.5
Pakhoed	87.50	+1
Philips	54.50	+0.5
Robeco	115.40	−0.3
Rodamco	142.70	−0.3
Rolinco	109.50	.....
Rorento	52.30	+0.1
Royal Dutch	285.80	−4.4
Unilever	151.40	−1.8
VMF Stork	26.40	−0.1
VNU	94.80	+1.3
Westmaw	94.70	.....
Wolters Samsom	124.50	−1

NORWAY

Aug. 17	Price Kroner	+ or −
Aker-Norcem	76.50	.....
Bergen bank	208.00	−4.5
Borgeren B	438.00	−2
Christiania Bk	215.00	−4
Den Norsk Credit	181.00	−12.5
Elkem	138.50	−4
Kosmos	150.00	+5
Kvaerner	246.00	+1
Norsk Data	267.50	−3.5
Norsk Hydro	257.50	−1.5
Orkla Borregaard	502.50	−1.5
Storebrand	550.00	−5

SPAIN

Aug. 17	Price Pts. %	+ or −
Banco Bilbao	1595.00	.....
Banco Central	1125.00	+10
Banco Exterior	480.00	.....
Banco Hispano	606.00	.....
Banco Popular	1795.00	+29
Banco Santander	1939.00	.....
Banco de Vizcay	1860.00	.....
Banesto	999.00	.....
Dragados	825.00	+15
Hidrola	86.50	+1.5
Iberduero	129.70	+0.2
Petroleos	639.00	+8
Telefonica	236.00	−4

SWEDEN

Aug. 17	Price Kroner	+ or −
AGA (free)	215.00	−1
Alfa-Laval	321.00	−1
ASEA (Free)	430.00	−5
Astra (Free)	265.00	−5
Atlas Copco	194.00	−4
Beijer A Fria	230.00	.....
Cardo (Free)	265.00	.....
Cellulosa	350.00	−3
Electrolux B	304.00	−5
Ericsson	261.00	+3
Esselte	195.00	−2
Mo Och Domsjo	440.00	+5
Pharmacia	261.00	+7
Saab-Scania (free)	260.00	.....
Sandvik	215.00	+11
Skandia Ins.	200.00	−6
Skandia Intl.	290.00	.....
Skan Enskilda	143.00	+2
SKF	366.00	−11
St. Kopparbergs	403.00	−5
Svka Handelsbn	527.00	+7
Swedish Match	114.00	−1
Volvo B (Free)	374.00	−5

SWITZERLAND

Aug. 17	Price Frs.	+ or −
Adia Intl.	13075	−25
Alusuisse	867	+22
Bank Leu	4100	−40
Brown Boveri	3140	−10
Ciba Geigy	4040	+25
do. (PtCts)	2800	−10
Credit Suisse	3450	+5
Elektrowatt	4000	−25
Fischer (Geo.)	1780	−20
Hoff-Roche (Pt Cts)	149000	+500
Hoff-Roche 1/10	14875	−50
Jacobs Suchard	9950	−50
Jelmoli	3875	−25
Landis & Gyr	1820	+40
Nestle	10825	+25
Oer-Buhrle	1620	−10
Pargesa Hldg	2390	−10
Pirelli	431	+1
Sandoz (Br)	14900	−75
Sandoz (PtCts)	2600	+40
Schindler (PtCts)	880	−10
Sika	775	.....
Surveillance	7050	−140
Swissair	1460	−5
Swiss Bank	515	−6
Swiss Reinsce	18500	+25
Swiss Volksbk	2380	−20
Union Bank	5150	−20
Winterthur	7050	+50
Zurich Ins	7475	−75

AUSTRALIA

Aug. 17	Price Aust$	+ or −
ACI Int.	4.60	+0.12
A.F.P.	3.65	−0.05
Adelaide Steams	8.66	−0.04
Amcor	5.20	+0.12
ANZ Group	4.86	.....
Ampol Pet	3.65	.....
Ariadne Aust	2.54	−0.09
Ashton	3.85	−0.07
Aust Guarant	2.85	.....
Aust Nat Inds	2.17	+0.01
Bell Group	9.46	+0.06
Bell Resources	5.42	+0.08
Bond Corp Hldgs	2.70	−0.05
Boral	6.20	.....
B'ville Copper	5.04	−0.08
Brambles Inds	11.00	.....
Bridge Oil	1.80	−0.03
BHP	10.25	−0.1
BHP Gold	1.74	−0.01
Burns Philp	5.50	.....
CRA	11.20	.....
CSR	3.95	.....
Chase Corp	4.00	+0.4
Claremont Petro	1.10	−0.08
Coles Myer	8.14	−0.04
Comalco "A"	5.08	−0.12
Consolidated Pet	0.26	.....
Costain Aust	3.20	.....
Elders IXL	5.36	−0.02
Energy Res	2.90	+0.05
Gen Prop Trust	3.32	.....
Goodman Fielder	4.75	+0.08
Hardie (J.)	4.90	+0.15
Hartogen Energy	3.25	−0.05
ICI Aust	5.20	+0.1
Industrial Equity	3.54	.....
Jimberlana (50cFP)	0.62	−0.01
Jones (David)	11.50	.....
Kia Ora Gold	1.15	−0.05
Kidston Gold	7.50	−0.2
Lend Lease	17.20	−0.25
MIM	3.50	−0.03
Mayne Nickless	5.70	−0.04
Nat. Aust. Bank	5.44	−0.06

AUSTRALIA (Continued)

Aug. 17	Price Aust$	+ or −
News	22.40	−0.3
Noranda Pacific	4.70	.....
North Bkn Hill	4.20	−0.05
Oakbridge	0.58	.....
Pacific Dunlop	5.50	−0.06
Pancont'l	4.35	−0.15
Pioneer Conc	4.70	+0.05
Placer Pacific	4.25	−0.07
Poseidon	7.20	−0.06
Queensland Coal	1.53	+0.03
Santos	7.60	−0.06
Smith (H.)	5.00	−0.06
Thos Natwide	5.60	−0.18
Tooth	8.10	.....
Vamgas	4.00	.....
Western Mining	9.74	−0.06
Westpac	6.00	−0.04
Woodside Petrol	2.35	−0.05
Woolworths	3.50	.....
Wormald Intl	3.25	+0.05

HONG KONG

Aug. 17	Price H.K.$	+ or −
Bank East Asia	34.50	−2.5
Cathy Pacific	7.45	.....
Cheung Kong	13.00	.....
China Light	26.90	.....
Evergo	0.91	.....
Hang Lung	16.90	.....
Hang Seng Bank	48.00	−0.75
Henderson Land	7.25	+0.25
Hong Kong China	20.70	−0.2
HK Electric	9.60	+0.05
HK Land	7.85	−0.05
HK Shanghai Bank	10.30	+0.1
HK Telephone	13.80	.....
Hutchison Wpa	13.80	−0.1
Indust Equity P	26.00	+0.1
Jardine Math	20.30	−0.3
New World Dev	13.80	.....
SHK Props	18.30	+0.3
Shell Elec. Mfg.	1.79	+0.06
Swire Pac A	24.70	−0.1
TV-B	17.30	−0.2
Wharf Hldgs	9.55	.....
Windsor Ind.	18.70	−0.3
World Int Hldgs	4.55	−0.02

JAPAN

Aug. 17	Price Yen	+ or −
Ajinomoto	3540	+20
All Nippon Air	1920	−30
Alps Electric	2780	−50
Asahi Chemicals	1200	−30
Asahi Glass	1980	−40
Bank Tokyo	1600	.....
Bridgestone	1160	−50
Brother Inds.	651	−6
Canon	1160	−50
Casio Computers	1360	−40
Chugai Pharm	1940	−10
Daiei	2100	−20
Dai Ichi Kan Bank	3180	.....
Dai Nippon Ink	805	−15
Dai Nippon Ptg	2280	+20
Daiwa House	2350	−20
Daiwa Sec.	2950	−20
Eisai	2210	.....
Fanuc	6540	.....
Fuji Bank	3250	.....
Fuji Film	4890	−80
Fujisawa	2320	.....
Fujitsu	1380	−20
Furukawa Elect	773	+22
Green Cross	3110	−50
Heiwa Real Est	1900	.....
Hitachi	1360	−30
Hitachi Credit	1700	.....
Honda	1720	−20
Indl Bank Japan	3960	−20
Ishikawajima Ha	612	−14
Isuzu Motors	438	+13
Itoh (C)	719	+16
Ito Yokado	4200	−60
JAL	14600	+200
Jusco	1670	−20
Kajima	1740	.....
Kao Soap	2160	−20
Kawasaki Steel	289	+5
Kirin	2560	−10
Kobe Steel	260	+2
Komatsu	680	+5
Konishiroku	863	−7
Kubota	623	+18
Kumagai	1090	−10
Kyoto Ceramic	6680	+60
Marubeni	509	+3
Marui	3410	−30
Mazda Motors	433	.....
Meiji Seika	1110	−20
MEI	2630	−60
M'bishi Bank	3130	+50
M'bishi Chem	1110	−30
M'bishi Corp	1230	−20
M'bishi Elec	645	−14
M'bishi Estate	2500	−20
MHI	603	−2
Mitsui Bank	2630	−20
Mitsui Co.	777	−13
Mitsui Estate	2270	.....
Mitsui Toatsu	706	+5
Mitsukoshi	1660	−50
NGK Insulators	1010	−10
Nikko Sec.	2490	−10
Nippon Denso	1620	−50
Nippon Elect	2140	−40
Nippon Express	1160	+10
Nippon Gakki	1890	−30
Nippon Kogaku	1200	.....
Nippon Kokan	288	+3
Nippon Oil	1400	.....

JAPAN (Continued)

Aug. 17	Price Yen	+ or −
Nippon Seiko	624	−6
Nippon Shimpan	1360	−30
Nippon Steel	341	.....
Nippon Suisan	620	+20
Nippon Yusen	552	−20
Nissan Motor	729	+15
Nisshin Flour	1350	.....
Nomura	4590	−10
Olympus	1240	−20
Onoda Cement	801	−7
Orient Finance	1500	.....
Orient Leasing	3910	+50
Pioneer	3270	−20
Ricoh	1270	−20
Sankyo	1790	+10
Sanwa Bank	2850	+40
Sanyo Elect	515	−6
Sapporo	1930	−10
Sekisui House	2400	−10
Seven-Eleven	8150	+10
Sharp	1280	−40
Shimizu Const.	965	−5
Shionogi	1700	.....
Shiseido	2300	.....
Showa Denko	641	−9
Sony	5410	+30
S'tomo Bank	3810	.....
Sumitomo Chem	880	−10
Sumitomo Corp.	1020	−30
S'tomo Elect	1730	−20
S'tomo Metal	245	+5
Taisei Corp	1040	+10
Taisho Marine	1180	+30
Taiyo Kobe Bank	1650	.....
Takeda	3240	−30
TDK	5520	−130
Teijin	859	−21
Toa Nenryo Kyo	2100	+20
Tokai Bank	2440	.....
Tokyo Marine	2150	−30
Tokyo Elect Pwr	6050	+20
Tokyo Gas	1020	+10
Tokyu Corp	1460	−10
Toppan Print	1650	−40
Toray	768	−2
Toshiba Elect	674	−6
Toyo Seikan	2960	−30
Toyota Motor	2240	+50
UBE Inds	472	−8
Victor	3130	−70
Yamaha	870	.....
Yamaichi Sec.	2490	−50
Yamanouchi	4690	−30
Yamazaki	1640	+60
Yasuda Fire	1130	+10

SINGAPORE

Aug. 17	Price $	+ or −
Boustead Hldgs	1.85	−0.38
Cerebos Pacific	8.05	−0.35
Cold Storage	4.84	.....
DBS	16.60	.....
Genting	7.15	−0.25
Haw Par Bros	6.10	−0.1
Hong Leong Fin.	4.76	−0.14
Inchcape Bhd	6.40	−0.2
Keppel Shipyard	4.34	.....
Malay Banking	8.15	−0.15
Malayan Utd. Ind.	2.79	−0.13
Multi Purpose	0.76	−0.04
OCBC	10.70	−0.2
OUB	5.80	−0.35
Public Bank	2.93	−0.15
Sime Darby	3.56	−0.1
Singapore Air	14.70	−0.2
Singapore Press	10.10	−0.2
Straits Trading	5.65	−0.25
Tat Lee Bank	4.58	−0.18
UOB	7.90	−0.1

SOUTH AFRICA

Aug. 17	Price Rand	+ or −
Abercom	2.95	−0.05
AE & CI	16.50	.....
Allied Tech.	180.00	.....
Anglo Am Coal	36.00	.....
Anglo Am Corp	87.75	−1.75
Anglo Am Gold	400.00	−5
Barclays Bank	20.50	−0.5
Barlow Rand	26.65	−0.35
Buffels	72.00	−1.5
CNA Gallo	5.70	.....
Currie Finance	5.10	−0.1
De Beers	52.10	+0.1
Driefontein	87.00	−0.75
Freegold	55.50	+0.25
Gold Fields SA	90.50	+2.5
Highveld Steel	7.70	.....
Malcor Hldgs	22.50	−0.25
Nedbank	7.85	−0.05
OK Bazaars	18.50	.....
Rembrandt	13.70	.....
Rust Plat	59	−2
Safren	32.00	.....
Sage Holdings	19.25	.....
SA Brewers	23.75	−0.25
Smith (C.G.)	44.50	.....
Tongaat Hulett	15.00	.....

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices August 17

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64005	Cantor	$35½	34⅞	35¼	
400	Canron A	$17	17	17	−¼
2400	Cara	$12⅝	12½	12⅝	+⅛
4200	Cara A f	$12⅛	12	12⅛	
282750	Carma A	38	33	33	−5
980	Celanese	$23⅛	23	23	−⅜
1850	CentFd A	$8⅝	8⅝	8⅝	
800	Centrl Tr	$23	23	23	−⅜
12	Chieftan	$14¼	14¼	14¼	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72100	Jannock	$23¼	22⅝	23⅛	+⅜
1361	Kerr Add	$29	29	29	
470	Kiena Gld	$21¼	21¼	21¼	
9440	Labatt	$29⅜	29⅛	29¼	
22426	LL Lac	$47⅞	46¾	47⅞	+⅜
38500	Lacana	$22	21½	21½	−⅜
10047	Laidlaw A	$22⅛	21⅞	22⅛	
113114	Laidlaw B f	$21⅜	21⅛	21¼	
85450	Leigh Inst	$6⅝	6⅛	6⅛	−⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
133308	Royal Bnk	$36½	36¼	36½	
33054	RyTrco A	$17¾	17¼	17⅜	−⅜
24842	Royex	$6⅛	5¾	5⅞	−⅛
5760	SHL Syst	$30	29¾	30	+1½
8900	StL CemA f	$31½	31	31	−1
142631	Sceptre	$5⅝	5	5⅛	+⅛
7050	Scot Paper	$20	19⅝	20	+⅛
39800	Scotts f	$13⅞	13½	13½	+⅜
13800	Scotts C	$14	13¾	14	+⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices August 17

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10440	Noverco	$12⅞	12⅞	12⅞	−⅛
67850	Power Corp	$18¾	18½	18⅝	
18342	Provigo	$12¾	12½	12⅝	+⅛
4400	Repap Entr	$17⅞	17⅛	17¼	+⅛
56232	Royal Bank	$36½	36¼	36⅜	
3560	SteinbrgA	$39½	39	39	−⅜
7010	Videotron	$15	14⅝	14⅞	−⅛

Total Sales 6,682,656 shares

Indices

NEW YORK—DOW JONES

	August 17	August 14	August 13	August 12	August 11	August 10	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,700.57	2,685.43	2,691.49	2,669.32	2,680.48	2,635.84	2691.49 (13/8)	1927.31 (2/1)	2691.49 (13/8)	41.22 (2/7/32)
Transport	1,090.63	1,101.16	1,098.97	1,094.18	1,100.11	1,084.31	1101.16 (14/8)	815.38 (2/1)	1101.16 (14/8)	12.32 (8/7/32)
Utilities	212.18	213.78	212.98	208.07	210.76	207.33	227.83 (22/1/87)	191.39 (20/5)	227.83 (6/4/87)	10.5 (8/4/32)
Trading vol		198.12m	217.877m	230.50m	281.020m	187.481m	−	−	−	−

	August 7	July 31	July 24	Year Ago (Approx)
Ind div Yield %	2.82	2.80	2.77	3.80

STANDARD AND POORS

	August 17	August 14	August 13	August 12	August 11	August 10	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	380.37	380.48	380.50	380.53	380.85	382.80	380.59 (13/8)	274.58 (2/1/87)	380.58 (13/8)	3.62 (21/6/32)
Composite	334.11	333.90	334.65	332.39	333.33	328.00	334.65 (13/8)	248.45 (2/1/87)	334.65 (13/8)	4.40 (1/6/32)

	August 13	August 6	July 30	Year Ago (Approx)
Ind div yield %	2.33	2.32	2.32	2.88
Ind. P/E Ratio	23.92	24.52	24.38	18.11
Long Gov Bond Yield	8.86	8.85	8.80	8.11

N.Y.S.E. ALL COMMON

August 17	August 14	August 13	August 12	1987 High	1987 Low
188.75	188.60	188.85	185.7	188.85 (13/8)	141.01 (21/1)

RISES AND FALLS

	August 14	August 13	August 12
Issues traded	2,013	1,988	1,987
Rises	749	841	683
Falls	845	890	187
Unchanged	419	258	417

TORONTO

	August 17	August 14	August 13	August 12	1987 High	1987 Low
Metals & Minls	3,387.8	3,376.8	3,425.5	4,434.6	3,483.5 (4/8/87)	1,988.2 (2/1/86)
Composite	4,072.3	4,083.3	4,112.8	4,105.6	4,112.8 (13/8)	3,067.8 (2/1/86)
MONTREAL Portfolio	2,095.17	2,052.73	2,083.92	2,063.94	2,224.77 (18/7/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

	Aug. 17	Aug. 14	Aug. 13	Aug. 12	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	2111.1	2114.5	2104.6	2096.0	2114.5 (14/8)	1486.7 (2/2)
Metals & Minerals (1/1/80)	1403.6	1414.5	1419.0	1411.5	1453.3 (4/8)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	214.65	215.04	215.84	215.81	230.60 (2/1)	182.21 (19/6)
BELGIUM						
Brussels SE (1/1/84)	(c)	5404.40	5415.20	5395.30	5415.20 (13/8)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	204.76	204.32	205.72	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	608.6	602.0	600.4	600.7	616.6 (28/7)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	413.90	411.4	404.60	(u)	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	106.90	106.90	104.40	103.80	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	669.40	663.36	656.40	663.92	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	2061.10	2041.1	2020.10	2044.60	2061.10 (17/8)	1633.8 (19/3)
HONG KONG						
Hang Seng Bank (31/7/64)	3510.66	3512.15	3514.27	3557.43	3557.43 (12/8)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	619.45	634.34	635.78	637.53	767.34 (30/4)	619.45 (17/8)
JAPAN**						
Nikkei (16/5/49)	25378.88	25494.01	25575.74	25599.28	25929.42 (17/6)	18544.0 (13/1)
Tokyo SE New (4/1/68)	2101.56	2105.96	2115.89	2115.99	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	330.80	334.10	333.50	333.90	334.10 (14/8)	257.7 (28/1)
ANP CBS Indust. (1970)	277.30	278.20	277.30	279.60	280.80 (11/8)	243.7 (28/1)
NORWAY						
Oslo SE (4/1/83)	532.02	526.55	529.81	520.10	532.02 (17/8)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1449.20	1476.39	1482.20	1491.20	1491.20 (12/8)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2289.0	2328.0	2356.0	2499.0 (3/8)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	2226.0	2226.0	2212.0	2226.0 (14/8)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	291.68	290.76	289.18	291.90	294.57 (4/8)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2976.60	2985.80	2975.50	2964.80	2985.80 (14/8)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	686.40	685.00	678.70	681.50	685.00 (14/8)	559.7 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	(u)	482.6	480.80	479.4	482.60 (14/8)	361.3 (2/1)

**Saturday August 15: Japan Nikkei Closed.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Allied-Signal-XD	1,428,800	47½	+ ⅛	Gillette Co	1,049,700	42	+2
AT & T	1,285,500	34⅜	− ⅛	Fed Natl Mort	1,024,200	48⅝	+ ⅜
Phillips Pete	1,274,200	17⅝	+ ⅛	IBM	952,700	174⅜	+ ⅜
Alt Inc	1,272,300	48⅝	+14½	Mesa Energy	827,800	13⅝	− ⅜
Navistar Intl	1,140,800	7⅝	+ ⅛	General Elect	808,100	60⅛	+1⅛

LONDON — Most Active Stocks
Monday, August 17, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
BP	10.8m	354	−15	Brit Gas	6.5m	180½	nch
Storehouse	8.1m	380	−21	Plessey	5.5m	193	nch
Racal	8.5m	304.5	−10½	Gen Elect	5.1m	212	− 6
Hanson Tr.	6.2m	183	− 1½	Mrks & Spncr	5.0m	238	− 4
Blue Arrow	5.6m	188	− 4	Hillsdown	4.5m	658	−57

TOKYO — Most Active Stocks
Monday, August 17, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Kawasaki Steel	66.2 m	289	+ 5	Mitsubishi Petro.	15.36m	1,000	+ 4
Hitachi	39.66m	1,360	− 20	Mitsubishi Elec.	12.46m	645	− 14
Sumitomo Metal	28.8 m	245	+ 5	Matsushita Elec. Ind.	11.9 m	2,830	− 60
Fujitsu	22.28m	1,380	− 20	Toyota Motor	11.3 m	2,240	+ 50
Nippon Steel	18.7 m	341	nch	Fuji Photo Film	5.80m	4,890	− 80

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 33

Stock	Sales (Hlds)	High	Low	Last	Chng
OldKnt	.80 10	210	25⅝	24⅞	25⅜ + ⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Reeves	24 1808	u13⅞	13⅝	13¾	+ ⅛
RgcyEl .20	432	6½	6¼	6½	+ ⅛
Regina	27 56	42½	42	42½	+ ½
RegIBc	9 78	18¾	18½	18¾	+ ¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BoncoPs .44	21 x322	30½	30	30¼	− ¼
SCarNs .58	11 140	24¾	24½	24½	− ⅛
Sounet	782 2434	24¼	23⅞	23⅞	− ½
StndFn	522	5¼	5	5¼	+ ¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Bcs .80	10 1319	27¾	27½	27⅝	
US HNC .16	18 3228	13¼	12¾	13⅛	+ ¼
US Sur .40	23 1284	31⅞	31⅝	31⅝	
US Trs	1 14 734	44⅜	43½	43¾	− ⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35⅝	20⅝	AAR s	.50	1.4	24	138	35⅝	34⅝	35½	+½
37	22	ADT	.92	1.9	27	2045	u49¼	48	48⅝	+1⅜
31¼	16¾	AFG s	.16	.5	10	823	29⅝	29⅛	29¼	
22⅝	8⅝	AGS s			16	293	19⅞	19½	19½	−⅛
10⅞	6¾	AMCA				16	9⅞	9⅞	9⅞	
9⅜	4⅞	AM Intl				1612	8½	8¼	8½	+⅛
65½	50¼	AMR			13	4875	64	63	63⅜	−1
11¾	8⅛	ARX s			13	1108	11⅝	10⅝	11⅝	+1¼
73½	31¼	ASA	2a	3.1		743	65	63¾	63¾	−⅞
20	9¾	AVX		1.8	36	502	18¼	18	18⅛	
67	41	AbtLab	1	1.6	25	3489	65	64	64⅜	−¼
28	24¼	AbitIbi g				47	26¾	26⅝	26¾	−¼
16¾	9⅝	AcmeC .40		2.6	16	149	15⅞	15⅜	15⅝	
9½	6⅛	AcmeE .32b		3.4	36	37	9⅜	9⅛	9⅜	+⅛
23⅞	19	AdaEx 3.42e		15		124	22½	22⅛	22¼	
19½	11⅜	AdmMI s .24		1.5	12	24	15¾	15¼	15½	+⅛
25⅞	12⅛	AdvSys .62t		2.5	16	422	25½	25	25	−⅛
24½	12⅞	AMD				3204	20⅜	20⅛	20¼	+¼
54¾	47	AMD pf	3	5.7		3	52⅜	52⅜	52⅜	
11⅞	5¼	Adobe				198	10¼	10⅛	10⅛	−¼
20½	14¾	Adob pf 1.84		9.1		28	20¼	20	20⅛	+¼
21⅞	17	Adob pf 2.40		12.		58	21	20¾	20¾	−½
15	10⅝	Advest .12a		1.0	10	339	12¾	12¼	12½	+⅛
68¼	53	AetnLf 2.76		4.5	9	5779	62¼	61¾	62	+⅞
83½	26½	AflPb s .32		.4	23	277	75¾	75¼	75½	−¼
27½	18⅝	Ahmans .88		4.0	8	4988	22½	21⅞	22¼	−¼
5⅜	2⅞	Aileen				79	3¾	3⅝	3⅝	
53⅞	31¼	AirPrd	1	2.0	22	1325	51¾	50	50¼	−1½
38	17¾	AirbFrt .60		2.2	11	260	27⅛	26⅝	26⅞	+¼
15	7⅜	Airgas n			21	135	13⅝	13¼	13¼	
20⅝	16¼	Airlse n1.57e		9.0		18	17½	17⅜	17½	

Continued on Page 33

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

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X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
82⅝	51	Xerox	3	3.7	18	7071	u82¾	81	81½	−1
58¼	54¼	Xerox pf5.45		9.8		150	55½	55¼	55½	+¼
31½	21½	XTRA	.64	2.2	24	212	30⅝	29¾	29¾	−⅝
27⅞	25⅝	XTRA pf1.94		7.2		2	27	27	27	+⅛
28⅞	15	Yorkin			14	144	u29	28	28⅝	+⅜
7¼	2¼	Zapata				1135	5¾	5⅛	5⅛	−½
32⅞	20¾	Zayre	.40	1.3	19	4216	30¾	29¾	30⅝	+⅝
14¾	9¾	Zemex	.40	3.1	6	39	13	12⅞	12⅞	−¼
33⅝	18⅞	ZenithE			129	963	32⅞	32⅛	32⅛	−¾
13½	8	ZenLab				7601	8¼ d	7⅛	7⅞	−⅛
28¼	18⅝	ZenNat	.80	3.5	14	303	23⅛	22⅝	22⅝	−¼
20⅝	12⅝	Zero	.36	1.8	20	178	20¼	19⅞	20⅛	
30¾	17½	Zurnin s .68		2.4	19	160	28⅞	28⅝	28⅝	−⅛
10⅝	8¾	Zweig n.65e		6.5		2185	10⅛	9⅞	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

[illegible]

Continued on Page 31

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Blue chips hit another record in late rally

WALL STREET

A LATE surge pushed Wall Street blue chip stocks past another milestone to a record close on moderate volume, *writes Roderick Oram in New York.*

The late rally came despite a downturn in credit markets where bond prices fell under pressure of a weaker dollar, selling overnight abroad and a more negative interpretation of Friday's large US trade deficit.

The Dow Jones industrial average closed up 15.14 points at a record 2,700.57, its first close above the 2,700 mark. After a strong opening it had spent most of the day languishing only a few points up from Friday's levels.

But the broader markets trailed behind the Dow Industrials. The Standard & Poor's 500 index, up 0.12 to 334.11, and the New York Stock Exchange composite index, up 0.07 to 186.76, were both shy of their records.

NYSE volume was moderate at 166.5m with advancing issues edging ahead of the number declining by 820 to 761.

The Dow Jones transportation index fell 10.54 to 1,090.62 on heavy selling of airline and railway stocks. NWA, parent of Northwest Airlines, dropped $1⅜ to $71⅛ after one of its aircraft crashed in Detroit killing 154 people. Delta lost $⅝ to $58⅛, AMR gave up $1 to $63⅜ and USAir fell $1 to $51⅛.

Among railway stocks, Santa Fe gave up $⅝ to $53⅛, Norfolk and Southern lost $1¼ to $36⅝, Union Pacific retreated $1 to $81⅜. Outside the index, CNW fell $2¼ to $37 after a sharp rise last week on news it might sell all or parts of itself.

In the takeover arena, Gillette rose $3 to $43⅛ following a $40½ offer from Revlon. Trading of 2.5m shares made Gillette the most active NYSE issue.

ADT jumped $14⅝ to $48⅝. The security services group received a $47 a share offer from Hawley Group of the UK. More than 2m of ADT's 13m shares changed hands yesterday.

Arthur D. Little rose $5 to $45. Plenum Publishing, a privately-owned New York publisher of scientific and academic periodicals, increased its offer for the consulting group to $55 a share.

Newmont Mining gained a further $3⅞ to $83⅞. Wall Street believes the natural resources group is the preferred target of Mr T. Boone Pickens, the Texas corporate raider. In addition to Newmont, Mr Pickens' companies said recently they were going to buy stock in Boeing, up $⅝ to $52⅛, and Singer, down $1½ to $51⅛.

North American Philips soared $11⅛ to $53⅛. The electrical equipment maker's Dutch parent has offered $50 a share for the stock it does not already own.

Manpower rose $⅞ to $75⅞. The employment agency group rejected over the weekend a $75 a share bid from Blue Arrow, a UK competitor.

Todd Shipyards dropped $1⅛ to $5⅝. The ailing group filed for protection of its Todd Pacific Shipyards subsidiary under Chapter 11 of the bankruptcy code.

Among companies reporting higher profits yesterday, K mart slipped $1⅛ to $44⅛. Other retailing stocks were generally ahead. Sears, Roebuck edged up $⅜ to $58⅛, Wal-Mart was up $¼ at $42 and J. C. Penney rose $¼ to $64½.

Bear Stearns added $1⅛ to $19⅝ on a large jump in first-quarter profits. Other brokerage house stocks were mixed. Salomon Inc dipped $¼ to $35, Merrill Lynch gained $1⅜ to $41⅛ and Shearson Lehman was unchanged at $29½.

Credit markets opened weaker in New York after trading lower in Tokyo overnight as the dollar slipped below Y150. Wall Street's traders and dealers were also somewhat more pessimistic on second thoughts about the huge increase in the US trade deficit than they were when it was released on Friday.

Prices drifted lower leaving the old benchmark 8.75 per cent Treasury long bond down ⅜ of a point by late afternoon at 99⅜ yielding 8.83 per cent and the new 8.875 per cent benchmark long bond down 1/16 of a point at 100 1/16 yielding 8.79 per cent.

The Federal Reserve's open market committee sits today for the first time under the chairmanship of Mr Alan Greenspan. But it is not expected to change the Fed's policies for the time being.

CANADA

THE DOWNWARD trend which set in before the weekend continued in Toronto, sending prices generally lower in moderate trading.

Energy issues lost ground. Shell Canada was down C$½ to C$50, Consumer Gas dropped C$¼ to C$26¼, Gulf Canada was down C$½ to C$24⅝ and Wharf Resources fell C$¼ to C$8.

Banks and industrials were mixed.

SOUTH AFRICA

MOUNTING concern over the miners' strike and a weaker bullion price sent Johannesburg gold shares lower in modest trade.

Among falling golds, Randfontein closed down R18 at R440, while bellwether Vaal Reefs gave up R5 to R450 – recovering from an earlier low of R440. Harties, among the more speculative issues, was R1 easier at R31.50.

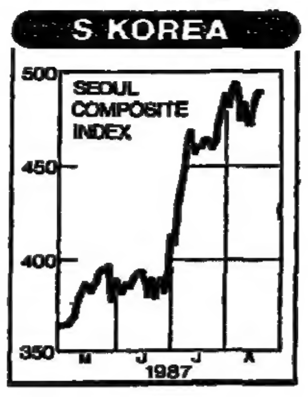
Other mining issues shared the weaker trend, with platinums stock Impala R2 off at R55. Diamond De Beers, however, edged 10 cents higher to R52.10.

Richard Gourlay examines Korean investor optimism

Seoul market nudges highs despite strikes

A LACK OF components as well as strikes have shut down 300 companies in South Korea, including the entire showcase car industry. However, the stock market is still nudging record highs.

S KOREA



Seoul's composite stock index closed up 1.32 at 488.57 yesterday, just three points off its August 4 all-time high. Since President Chun Doo Hwan accepted opposition demands for direct presidential elections and other democratic reforms in early July the market has risen by 29 per cent. Brokers say the market was due for a period of consolidation in any case before the labour unrest mushroomed.

Some brokers are surprised that South Koreans, many of them individuals but not necessarily small players in the market, are still buying manufacturing stocks even though Korean industry has been brought close to a total shutdown by the labour unrest.

The market has seen two "blips down" since the start of August, but brokers now believe most of the strike news has been discounted. "Investors are worried about the strikes, but not to the extent that they are going to sell the market outright," says Mr William Ramsey of Baring Brothers.

Behind the buoyant market are a number of factors which have little to do with the underlying stocks. Analysts say the market is awash with liquidity and likely to become more liquid as the presidential election later this year looms.

Furthermore, there are few good investment instruments for this liquidity other than the stock market, and even there the market has too few stocks available, brokers say.

On top of this, the economy grew by an estimated 15 per cent in the first six months of 1987 year on year and is expected to average 11 per cent for the year. Company profits in the first half increased on average between 25 to 30 per cent and exports, which will suffer from the labour unrest, will fall by perhaps $1.6bn from an estimate which was raised earlier this year to $43.5bn from $33.9bn.

Most of the interest has been in banks, insurance companies, stock brokers and construction stocks. Brokers said investors worried about the strikes sought safety in banks and other financial stocks, but could not explain why the country's ailing construction industry should be an attractive buy. "None are really attractive at the moment... but they are accounting for 70 per cent of daily turnover," Mr Ramsey said.

Electronics, machinery-makers and textile issues advanced in yesterday's trading. Hyundai Motor fell won 700 to won 17,100, Samsung Semiconductor was up won 100 to won 24,300 and Daewoo Electronic up won 100 to won 13,600.

EUROPE

Frankfurt rises to year's high

THE WEAKER dollar prompted a more cautious approach in Europe yesterday. However, foreign investors displayed considerable interest in West German shares, pushing the market to a year's high. Domestic concerns in Italy took a toll on prices which fell to a second low for the year in the space of a week.

Frankfurt moved higher across the board in brisk trading boosted by strong foreign demand. The Commerzbank index rose 20.0 to a year-high of 2,061.1. The previous high of 2,056.1 was reached on August 10.

British and Japanese investors were in evidence and showed greatest interest in banks, cars and chemicals.

Deutsche Bank gained DM9.50 to DM723.50, Dresdner was up DM7.0 to DM372 and Commerzbank rose DM6 to DM310.

In cars, VW gained DM8 to DM411, BMW added DM7 to DM749 and Porsche held steady at DM1,005.

Chemicals advanced late in the session on expectations of good half-year earnings. Bayer firmed DM3.90 to DM361.90, BASF was up DM3.80 to DM340 and Hoechst advanced DM3 to DM335.50.

Electricals were mixed. Siemens lost DM4 to DM691 and AEG rose DM1.20 to DM360.20.

Bonds rose strongly in active trading as the weaker dollar prompted short-covering. The Bundesbank sold DM161.5m worth of paper after selling DM164.3m on Friday.

Milan fell sharply on the first day of the new bourse month cycle and closed at a new low for the year. The MIB index dropped 22 to 855. The previous year's low was 859 on August 11.

The session was dominated by selling. Fiat shed L295 to L10,800, Olivetti slid almost five per cent, down L585 at L11,265 and Montedison was down L30 at L2,190.

Insurers, which helped lift the market out of its previous slump, were lower at the close.

Amsterdam saw a decline in foreign buying interest and closed mixed in selective trading.

The weighted ANP-CBS index eased 3.3 to 330.8, largely reflecting a decline by Royal Dutch Petroleum on profit-taking spurred by weaker oil prices.

Unilever, which announced a modest rise in second quarter pre-tax profits, lost Fl 1.80 to Fl 151.40. KLM was unchanged at Fl 55.60.

Philips added 50 cents at Fl 54.50 after news it had started to launch a tender offer to take full control of its North American Philips unit.

Banks fared well, with ABN adding Fl 9 to Fl 520 and Amro up Fl 2.70 at Fl 89.70.

Zurich ended mixed to lower in moderate trading which saw some profit-taking as the market reacted to Friday's decline on Wall Street. The Credit Suisse index was down 1.0 at 600.6.

Trading lacked direction following a week of speculation and investors were concerned about the possible impact of a lower dollar on Swiss exports.

Major banks were lower. Bank Leu shed SFr40 to SFr4,100, UBS was off SFr20 at SFr5,150 and Swiss Bank Corporation bearer slipped SFr6 to SFr515.

Paris edged narrowly higher in light trading. The market drew some encouragement from a group of economic statistics on inflation, foreign trade and current account performances, but optimism was kept in check by continuing interest-rate worries.

Engineerings gained ground, led by Fives-Lilles which rose FFr7.10 to FFr148.10.

Stockholm succumbed to profit-taking in blue chips which pushed prices lower across the board in moderate trading. The J&P index dropped 9.2 to 2,976.6.

Ericsson bucked the trend, firming SKr3 to SKr261 ahead of its six monthly results next week.

Pharmaceuticals were mixed. Astra lost SKr3 to SKr265 while Pharmacia advanced SKr8 to SKr261.

Oslo dropped lower as profit-taking continued after a run of records over the the past few weeks. Turnover plunged to NKr113m after hitting NKr230m on Friday. The all-share index dropped 2.93 to 393.01.

Elektrisk Bureau was suspended in advance of an announcement that it would be merged with Asea's Norwegian subsidiary Asea Per Kure.

Christiania Bank og Kreditkasse lost NKr3.5 to NKr215.5 and led other banks lower.

Madrid edged slightly higher in cautious trading as investors awaited July's inflation figure due today. The general index moved up 0.92 to 291.68.

Banks and chemicals were little changed while engineerings and construction issues were firmer. Utilities advanced quietly but Telefonica shed 9 to 231 early in the day, picking up later to close at 236.

Brussels was closed for the Assumption holiday.

LONDON

RUMOURS OF a big forthcoming rights issue from Standard Chartered Bank and of a securities house in financial difficulties overcast equities dealings to leave prices sharply lower.

The FT-SE 100 index closed down 35.8 at 2,259.6, near the day's lows. The FT Ordinary index fell 21.3 to 1,764.0.

The latest retail trading figures had little effect on trade. The market was also pleased at the opening that the Account Day – on which dealers settle losses incurred during the account period – had passed without a hitch.

Government bonds opened cautiously on the back of easier trends on Wall Street and in Tokyo and drifted lower to the close. **Details Page 30.**

ASIA

US trade deficit prompts sell-off

TOKYO

AN UNEXPECTEDLY large US trade deficit for June had an impact on high-tech stocks and export-oriented issues which led prices sharply lower in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average sank 115.13 points from last Friday to 25,378.88. Volume was down from 965.44m to 599.70m shares, reflecting investors' uncertainty. Declines outnumbered advances by 511 to 370, with 144 issues unchanged.

The US trade deficit, announced Friday, sparked renewed concern about trade friction between the US and Japan. This, combined with the dollar's subsequent fall to below Y150, drove down electricals, precision instruments and other recently strong issues.

Another unfavourable factor was that major institutional investors kept a low profile. However, there was some active buying in large-capitals by investment trusts and individuals following a strong push by securities companies late last week.

High-tech stocks came under light selling pressure towards the close after a firm opening. Fuji Photo Film lost Y80 to Y4,890 in heavy trading. At one stage, it hit an all-time high of Y5,050. Hitachi shed Y20 to Y1,360 on profit-taking after surging to a record Y1,400. Matsushita Electric Industrial lost Y80 to Y2,630, Fujitsu was down Y20 at Y1,380, NEC shed Y40 to Y2,140 and Canon was off Y50 at Y1,160. Sony went against the trend, adding Y30 to Y5,410.

Large-capitals retreated over a broad front. Kawasaki Steel, the most active issue with 66.62m shares traded, firmed Y5 to Y289 after soaring to Y291 at one stage, only just below its Y292 peak. Nippon Steel closed unchanged at Y341. Other large-capitals weakened, with Mitsubishi Heavy Industries dropping Y2 to Y603 and Ishikawajima-Harima Heavy Industries down Y14 to Y612.

Bonds eased in extremely light trading.

The yield on the bellwether 5.1 per cent Government bond, due in June 1996, rose from last Friday's 5.070 per cent to 5.095 per cent, reflecting pessimism about the market outlook. At one stage in early trading, it dropped to 5.000 per cent on small-lot buying triggered by the yen's 150 to the dollar.

AUSTRALIA

WEAKER mining shares and uncertainty surrounding today's report on Australia's current account deficit subdued Sydney prices. The All-Ordinaries index fell 4.7 from Friday's record close to 2,110.0.

Gold fell to profit-taking, with Kidston down 20 cents to A$7.50 and Sons of Gwalia 40 cents off at A$11.80.

Industrials strengthened slightly. Hooker added 15 cents to A$4.35 amid talk it was set to acquire a US retail chain.

SINGAPORE

INVESTORS cashed in their profits in light trading in Singapore taking prices lower across the board. The Straits Times industrial index lost 27.11 to 1,449.28.

First Capital, however, surged against the current with a 13 cent rise to S$1.78. It was confirmed that UIC's bid for the company would not require a cash alternative. UIC lost 4 cents to S$3.78.

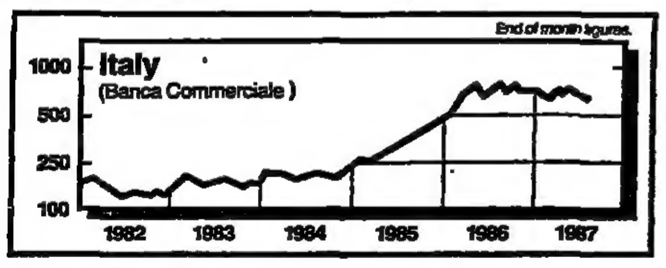
HONG KONG

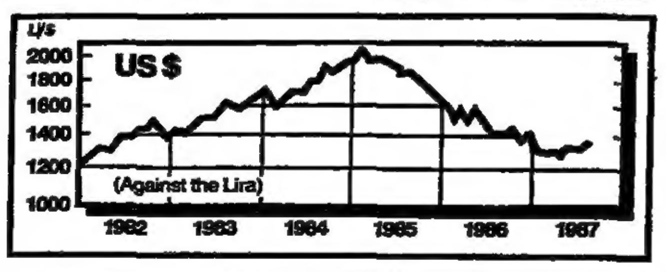
LATE bargain-hunting lifted a choppy session to leave Hong Kong prices marginally easier after big early losses. The Hang Seng index slid 1.49 to 3,510.66.

Properties were steady to firm.

KEY MARKET MONITORS

End of month figures





STOCK MARKET INDICES

NEW YORK	Aug 17	Prev	Year ago
DJ Industrials	2,700.57	2,685.43	1,855.60
DJ Transport	1,090.62	1,101.16	756.00
DJ Utilities	212.19	213.79	211.24
S&P Comp.	334.11	333.99	247.15
LONDON FT			
Ord	1,764.0	1,785.3	1,273.6
SE 100	2,259.6	2,295.4	1,604.40
A All-share	1,150.56	1,165.96	793.93
A 500	1,268.71	1,286.31	873.09
Gold mines	401.6	416.2	224.9
A Long gilt	9.77	9.69	9.50
World Act. Ind (August 11)	135.64	135.22	99.17
TOKYO			
Nikkei	25,378.88	25,494.01	18,376.4
Tokyo SE	2,101.56	2,105.96	1,529.29
AUSTRALIA			
All Ord.	2,111.1	2,106.6	1,178.5
Metals & Mins.	1,403.6	1,414.5	541.5
AUSTRIA			
Credit Aktien	214.65	215.04	(c)
BELGIAN SE	(c)	5,404.40	(c)
CANADA			
Toronto			
Met.& Mins.	3,397.6	3,376.9	2,041.0
Composite	4,072.3	4,083.3	3,031.1
Montreal			
Portfolio	2,045.17	2,052.73	1,514.92
DENMARK SE			
SE	204.76	–	199.93
FRANCE			
CAC Gen	413.90	404.60	(c)
Ind. Tendance	[illegible]	106.90	92.32
WEST GERMANY			
FAZ-Aktien	669.40	663.36	667.07
Commerzbank	2,061.10	2,041.10	2,009.08
HONG KONG Hang Seng	3,510.66	3,512.15	1,935.76
ITALY Banca Comm.	619.45	634.34	(c)
NETHERLANDS ANP CBS			
Gen	330.80	334.10	293.7
Ind	277.30	278.20	297.2
NORWAY Oslo SE	532.02	526.55	351.08
SINGAPORE Straits Times	1,449.20	1,476.39	803.85
SOUTH AFRICA JSE			
Golds	–	2,289.0	1,528.6
Industrials	–	2,226.0	1,296.5
SPAIN Madrid SE	291.68	290.76	(c)
SWEDEN J & P	2,976.60	2,985.80	2,587.63
SWITZERLAND Swiss Bank Ind	686.40	685.00	540.6

COMMODITIES (London)

	August 17	Prev
Silver (spot fixing)	473.95p	483.40p
Copper (cash)	£1,112.50	£1,096.50
Coffee (November)	£1,296.00	£1,263.00
Oil (Brent Blend)	$18.675	$19.325

GOLD ($/oz)

	August 17	Prev
London	$453.75	$454.00
Zürich	$453.45	$456.00
Paris (fixing)	$454.92	$453.73
Luxembourg	$457.00	[illegible]
New York (Dec)	$463.[illegible]	

CURRENCIES (London)

	US DOLLAR Aug 17	Previous	STERLING Aug 17	Previous
$	–	–	1.5910	1.5900
DM	1.8770	1.8755	2.98625	2.9825
Yen	149.90	149.90	238.5	238.5
FFr	6.2725	6.27	9.98	9.97
SFr	1.5570	1.5580	2.4775	2.4775
Fl	2.1140	2.1150	3.3625	3.3625
Lira	1,357.5	1,359.5	2,159.75	2,161.5
BFr	38.95	38.95	61.95	61.95
C$	1.3305	1.3315	2.1165	2.1155

INTEREST RATES

Euro-currencies (3-month offered rate)	Aug 17	Prev
£	10	9 15/16
SFr	3 13/16	3 13/16
DM	3 15/16	4
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6 15/16	6 15/16
6-month US$	7 3/16	7 3/16
US Fed Funds	6⅝*	6⅝
US 3-month CDs	6.55*	6.625
US 3-month T-bills	5.96*	6.14

FINANCIAL FUTURES

CHICAGO

US Treasury Bonds (CBT) 8% 32nds of 100%

Aug 13	Latest	High	Low	Prev
(Sept)	91-04	91-09	90-22	90-30
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.08	94.11	94.06	94.11
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	[illegible]			[illegible]

US BONDS

Treasury

	August 17 Price	Yield	Prev Price	Yield
7⅛ 1989	100 5/32	7.58	100 1/32	7.605
7 1994	96	8.38	97 29/32	8.407
8⅝ 1997	100 17/32	8.54	99 29/32	8.644
8⅞ 2017	101 1/32	8.75	99 21/32	8.877

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	August 17 Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	August 17 Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	93.50	6.40	93.481	6.40
SCBT South Central 10⅞ Jan 1993	102.15	10.33	102.00	10.39
Phibro Sal 8 April 1996	91.03	9.55	90.477	9.65
TRW 8⅞ March 1996	96.61	9.30	95.956	9.45
Arco 9⅞ March 2016	101.19	9.75	100.231	9.85
General Motors 8⅝ April 2016	83.59	9.85	82.761	9.95
Citicorp 9⅝ March 2016	90.66	10.40	91.102	10.35

Source: Salomon Brothers

...ailable figures

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